Daily Report

Latin America

FBIS-LAT-92-171
Wednesday
2 September 1992

Daily Report
Latin America

FBIS-LAT-92-171 *2 September 1992*

CONTENTS

NOTICE TO READERS: An * indicates material not disseminated in electronic form.

FRONT PAGE

CARIBBEAN

Cuba

Cienfuegos Begins 2d Defense Readiness Period *[Havana TV]* 2
Radio Gathering Calls For End to U.S. Embargo *[Havana Radio]* 2

Inter-Caribbean Affairs

CCA Hopes To Block Passage of Nuclear Waste *[CANA]* 2

Barbados

High Court Approves Sale of BCCI Assets *[CANA]* 2

Haiti

Cedras Denies Opposing Aristide Return to Power *[LE NOUVELLISTE 31 Aug]* 3
Political Leaders View Benoit-Adrien Meeting *[Port-au-Prince Radio]* 3
Deputies Want Summons of Public Works Minister *[Port-au-Prince Radio]* 3

Jamaica

Prime Minister Patterson on Stability of Dollar *[CANA]* 4

MEXICO

PRI Chairman Addresses Party Credibility *[Mexico City TV]* 5
Pemex Reports First Semester Production Figures *[NOTIMEX]* 5

CENTRAL AMERICA

El Salvador

Army Demobilizes Nochez Marroquin Battalion *[San Salvador Radio]* 6
Training of Civilian Police Candidates Begins *[San Salvador TV]* 6

Guatemala

Results of Serrano's South Korea Visit Noted *[EL GRAFICO 31 Aug]* 6

Nicaragua

Chamorro Not To Handle Helicopters Sale Funds *[Managua Radio]* 6
EPS Reportedly To Sell Additional War Materiel *[Managua Radio]* 7
Energy Workers March, Reject Privatization *[Managua Radio]* 7
Commentary Reviews Government After Two Years *[Managua Radio]* 7

Panama

Assembly Chooses Arnulfist Zarak for President *[ACAN]* 8
Airfields Established Along Colombian Border *[Panama City TV]* 8
Article on Colon Free Zone Trade With Cuba *[EL SIGLO 31 Aug]* 8

SOUTH AMERICA

Argentina

* UCR Document Criticizes Government Policies *[LA PRENSA 20 Jul]* 12
* Possibility of Cabinet Reshuffle Assessed *[LA PRENSA 26 Jul]* 12
* Social, Political Unease in Provinces Reported 14
  * Situation in Cordoba *[LA PRENSA 25 Jul]* 14
  * Labor Unrest *[LA PRENSA 25 Jul]* 15
  * Mendoza's Problems *[LA PRENSA 22 Jul]* 15

Bolivia

Minister Says Relations With Chile 'Traumatic' *[Madrid EFE]* 16

Brazil

Attorney General Receives CPI Report *[Sao Paulo TV]* 16
Senate Leader Maciel 'Tendered' Resignation *[Brasilia Radio]* 17
Fiuza Assumes Post as Political Coordinator *[Rio de Janeiro TV]* 17
Governor Brizola Says Resignation 'Inevitable' *[Montevideo Radio]* 17
PFL Leader Seeks Votes Against Collor *[O ESTADO DE SAO PAULO 31 Aug]* 18
  PFL Divided Over Break *[O GLOBO 31 Aug]* 19
  Collor To Lose Party Support *[FOLHA DE SAO PAULO 31 Aug]* 19
PFL, PTB Deputies Freed for Impeachment Vote *[Rio de Janeiro TV]* 19
Bahia Governor 'Washed His Hands' of Collor *[FOLHA DE SAO PAULO 29 Aug]* 19
Fleury on Governors' Role During Impeachment *[O ESTADO DE SAO PAULO 30 Aug]* 20
  Urges Businessmen, Workers To Rally *[Rio de Janeiro TV]* 21
Congress Urged To Respond To Collor Speech *[O ESTADO DE SAO PAULO 31 Aug]* 21
Collor, Farias Exchanged 'Discreet' Messages *[FOLHA DE SAO PAULO 30 Aug]* 21
Federal Police Report on Collor 'Malfeasance' *[FOLHA DE SAO PAULO 29 Aug]* 22
Demonstrations Held Demand Collor Resignation *[FOLHA DE SAO PAULO 30 Aug]* 22
Poll Shows Disapproval of Collor After Report *[FOLHA DE SAO PAULO 30 Aug]* 23
CPI Probes Influence Trafficking in Oil Deal *[O GLOBO 21 Aug]* 23
International Patent, Property Rights Viewed *[VEJA 19 Aug]* 23

Chile

Poisoned Grape Case, U.S. Role Examined *[EL MERCURIO 23 Aug]* 27
Correction to Judge Probe of Phone Tapping 29

Colombia

Gaviria on 'The President Responds' Program *[Santa Fe de Bogota Radio/TV]* 30
Gaviria on Decline in Polls, Future Hopes *[Santa Fe de Bogota TV]* 33
Intelligence Reveals New Guerrilla Strategy *[EL TIEMPO 27 Aug]* 33
Terrorist Explosion Claims 10 Lives, Homes *[Santa Fe de Bogota Radio]* 34

Ecuador

Foreign Minister Outlines Foreign Policy *[Madrid EFE]* 34

Paraguay

New Colorado Party Executive Board Installed *[ABC COLOR 20 Aug]* 34
Members Announce Candidacy *[NOTICIAS 29 Aug]* 34

Peru

Decree Clarifies CCD Election Requirements *[Lima Radio]* 35
Government Enacts Tax Accord With U.S. *[EL PERUANO 18 Aug]* 35
* Paramilitary Group Declares War on Terrorists *[SI 27 Jul]* 35
* Foreign Minister's Policy 'Mistakes' Reviewed *[EXPRESO 19 Jul]* 36
* Industries President on Closures, Andean Pact *[EL PERUANO 20 Jul]* 37
* Retired Military Officers Hold Conference *[SI 20 Jul]* 39

Venezuela

'High-Ranking' Meeting Held on Turpial Case *[Caracas TV]* 39
Jimenez Comments on Warrants *[Caracas TV]* 39
Rangel Program Suspended for 'Military Reasons' *[Caracas TV]* 40
Jamaican Prime Minister Begins Official Visit *[Caracas TV]* 40

Brazil

Sao Paulo TV carries a relay from the Attorney General's Office where the chairman of the Congressional Investigating Committee [CPI], Deputy Benito Gama, and other congressmen delivered the "final CPI report on the PC [Paulo Cesar] Farias case." The congressmen also brought "another 500 kg of documents" as well as the report which is "more than 350 pages long." Now Attorney General Aristides Junqueira must decide whether to "level charges" against President Collor before the Federal Supreme Court "or request further investigations."

Senator Marco Maciel, government leader in the Senate, has "tendered his resignation to Marcos Coimbra," secretary general of the Presidency, Brasilia radio reports.

Rio de Janeiro TV reports Social Action Minister Ricardo Fiuza has "assumed the position of goverment political coordinator," and will return to the Chamber of Deputies during the voting on the impeachment process "to defend the government in the National Congress."

According to Montevideo radio, Rio de Janeiro State Governor Brizola said the resignation of the president is "inevitable" and Vice President Itamar Franco "should take over." Brizola was "not surprised by the conclusions of the report" and added it is now necessary to "wait for the outcome of the impeachment."

Colombia

Santa Fe de Bogota Radio/TV carries a live interview with President Gaviria. Concerning the judicial system, the president says, "We are under the obligation to continue with the policy of strengthening our justice system," which has good and weak elements. Regarding the escape of Pablo Escobar, Gaviria said he was "very hurt" and "frustrated," and was "outraged when he learned of the luxuries" Escobar had in jail and said "this was never the government's intention." Gaviria said, "We have political responsibility, which we cannot elude." Gaviria also addressed the "guerrilla problem" and said, "the government has not approved regional talks and will not approve them because it feels that the conditions to hold them are not present." The Group of Three, Gaviria stated, is "the most important economic step our country has taken in many years..." The government will sign "a free trade agreement this year with Mexican President Salinas and Venezuelan President Perez, as agreed..."

Cuba

Cienfuegos Begins 2d Defense Readiness Period

FL0209022892 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0900 GMT 2 Sep 92

[Text] Defense is a priority task in Cienfuegos. Today, when the whole country has initiated a second instruction period in the Revolutionary Armed Forces [FAR], the Cienfuegos Helicopter Regiment has also begun this second phase of combative readiness.

Five years without aviation accidents with 15,800 flight hours is evidence of how the FAR combatants of the Cienfuegos Helicopter Regiment prepare. This unit maintains the effectiveness of the combative guard and its fighting techniques in the current conditions 100 percent. More than half of the pilots and technicians have filled internationalist missions and have received various distinctions; of them, 84 have received the medal of valor with outstanding actions in the fulfillment of duties.

They have also participated in evacuation and rescue tasks during natural disasters and other contingencies. The efforts of the innovators and efficiency experts of the Technical Explosion Unit are significant. This explosion unit, the only one of its kind in the country, has responded positively to all the repair, maintenance, and technical recovery work that was previously done in the former Soviet Union.

[Begin Lieutenant Colonel Ramon Martinez recording] The principal secret in obtaining the results of this regiment is first, the same craftsman, who are the mechanics, technicians, engineers, pilots, civilian workers, that with their efforts together with all this, have allowed this regiment to achieve all these accomplishments. [end recording]

In honor of the 39th anniversary of the assault on the Moncada Barracks and the 35th anniversary of the 5 September armed uprising, the helicopter regiment has proposed to improve living conditions of the combatants and insure everything relating to self-sufficiency. Today, when the whole country initiates the second defense readiness period in the FAR, the Cienfuegos Helicopter Regiment began this period with display activities in the deployment of battle positions, artillery exercises, the assembly and disassembly of rifles, simulated engagements of small units and regiments, as well as sports and recreational activities.

Radio Gathering Calls For End to U.S. Embargo

FL0109144692 Havana Radio Rebelde Network in Spanish 0900 GMT 1 Sep 92

[Text] In a resolution approved at the final session of the 5th world assembly of community radio stations being held in the Mexican city of Huaxtepec, close to 500 radio stations from 51 countries demanded an end to the U.S. economic, trade, and financial embargo against Cuba. The assembly also agreed to send a letter to the presidents of the Latin American and Caribbean countries asking them to request Washington to repeal the unjust and arbitrary embargo.

Inter-Caribbean Affairs

CCA Hopes To Block Passage of Nuclear Waste

FL0109173992 Bridgetown CANA in English 1407 GMT 1 Sep 92

[Text] Castries, St Lucia, Sept 1, CANA—The Caribbean Conservation Association (CCA) has called on regional governments to block any attempts by European countries to ship nuclear waste through the Caribbean Sea.

Barbados

High Court Approves Sale of BCCI Assets

FL0109154092 Bridgetown CANA in English 1345 GMT 1 Sep 92

[Text] Bridgetown, Barbados, Sept 1, CANA—A bid by the Barbados Mutual Life Insurance Company to acquire the local assets of the collapsed Bank of Credit and Commerce International (BCCI), received approval from the Barbados High Court on Monday [31 August].

The settlement which could lead to the establishment of a new bank by the mutual before year-end, ended a year of negotiations about the disposal of the local BCCI assets and the fate of customers who held deposits with the lone BCCI branch here.

"We have secured a 100 per cent settlement of the depositors' accounts," David Simmons, the lawyer for a group of depositors, was reported by the DAILY NATION as saying.

"I don't know anywhere else in the world which has yet to achieve the quality settlement that we in Barbados have achieved."

A similar view was expressed by Grenville Phillips, one of two court-appointed custodians of the local BCCI holdings. "In relation to what is happening to BCCI overseas, I think the depositors in Barbados will be very satisfied when the final result is known," he was reported as saying.

The Barbados settlement requires approval of the official liquidators of BCCI in the Cayman Islands, under which the Barbados operations fell. "...We do not anticipate any difficulty," Phillips said.

BCCI offices around the world were shut down on July 5, 1991 after Bank of England investigators alleged "massive fraud on a global scale" at the bank. It was the largest bank failure in history.

Haiti

Cedras Denies Opposing Aristide Return to Power

FL0209002692 Port-au-Prince LE NOUVELLISTE in Frerch No 34.369 31 Aug 92 pp 1,8

[From "The News in Question" column—quotation marks and parentheses as published]

[Excerpt] [passage omitted] Given that Soares knows that "any negotiated solution to the Haitian crisis must count on the agreement of the military (according to Soares), why did he not invite the Army to this meeting? Speaking about the solution to the crisis or better yet, the return to constitutional order, Commander in Chief of the Haitian Army General Cedras said: "The parliament passed a constitutional act on 8 October 1991." The head of the Army, interviewed by Tele-Haiti on the evening of 28 August, paradoxically added: "I am sure that the crisis will come to an end, but what I am especially concerned about is what is going to happen after the crisis."

During that interview, Gen. Cedras denied that he was opposed to the return to power of Haitian President-elect Father Jean-Bertrand Aristide (Haitian Press Agency 28 August 1992).

Surrender? Military tactics? Repression? The general questions himself. Do you think this country's leaders gave an order to organize repression? Calling the latest Amnesty International and UN Human Rights Subcommittee report "unfounded," the Army's top commander blamed the "cases of repression" to the nonexistence of institutions that should preserve human rights. [passage omitted]

Political Leaders View Benoit-Adrien Meeting

FL0209002792 Port-au-Prince Radio Metropole in French 1100 GMT 1 Sep 92

[Passages in italics in Creole]

[Excerpts] No prediction and no comment on the Adrien-Benoit meeting has been made. Haitian political leaders hide behind a silence which they will break only following the new OAS dialogue attempt. The wait and see [preceding words in English] position seems to be the most comfortable to our politicians; except for a few who were interviewed by Edner Jean and who will present a report on the position of political leaders, the positions adopted by Haitian political leaders on the eve of the Adrien-Benoit meeting.

[Begin recording] [Jean] Rene Theodore, the prime minister designated by Aristide within the scope of the Washington Agreement, has refused to make comments on this meeting. However, National Reconstruction Movement Secretary General Theodore will follow the meeting very closely. Theodore has reserved his opinions for its conclusion.

For its part, the Mobilization for National Development [MDN] has taken a stand as an observer and is waiting for the results of the meeting. MDN President Hubert de Ronceray said that the party, however, does not want to make concessions as to its position of principle in view of the crisis. He remains convinced that only the lifting of the embargo and the holding of new elections can guarantee Haiti a definite way out of the crisis.

[De Ronceray] We have declared ourselves observers. We are waiting for the results of this meeting. With regards to the MDN's position, it will depend on what the congress decides because—as you know—congress will convene on 12 September, that is in a few days. Thus, it is congress which will reach a decision on this juncture, on this new data, and on these new trends. [passage omitted]

As for Victor Benoit, he hopes this first round of negotiations will be a real step toward the negotiated solution that the country is awaiting. Benoit, secretary general of the National Congress of Democratic Movements, Conacom and spokesman for the National Front for Change and Democracy, FNCD, also thinks that this initiative falls within the scope of the resolutions adopted by the Socialist International held last week in the Dominican Republic.

[Benoit] *We in the FNCD and Conacom have always been partisans of a peaceful line. We do not have problems with any initiatives in accordance with the Constitution that fall within the scope of a peaceful line and will permit the country to get out of the crisis. However, I can tell you that I do not....[pauses] that we are careful not to make predictions. We will not make any predictions about this meeting because it is something which will occur in a very delicate context.* [passage omitted] So far, Eddy Volel of the Christian Democratic Assembly is the only political leader who has openly said that he is against any negotiations. In his statements, Volel bitterly criticized the Marc Bazin government, which he accuses of tagging behind the great powers.

The Haitian political class, which has been divided since the 30 September 1991 events, is even more divided now, when it is a question of negotiations for or against the return to constitutional order. [end recording]

Deputies Want Summons of Public Works Minister

FL0109221092 Port-au-Prince Radio Soleil Network in Creole 1100 GMT 1 Sep 92

[Text] Seven deputies have written to the president of the Public Works Committee of the Chamber of Deputies, Jean Jacques Seignon to ask him to summon the minister of public works to appear before the Chamber on 2 September at 1000 so he can explain the reasons why officials have dismissed engineer Paul Jacques Alexandre, the director of public works for the Southern Department. The deputies hope they will have all the details on the reasons for this dismissal especially because, according to what they have said, the prime

minister promised them that he would not carry out any such dismissal without contacting them.

All the seven deputies who have signed this letter come from the south of the country. They are Deputies Gabriel Antoinier Clerval for Coteaux, Pierre Simon Georges for Camp-Perrin, Francois Milou Laguerre for Chardonnieres, Joseph Benoit Laguerre for Port-Salut, Emmanuel Reyme for Les Cayes, Pierre Francois Vital for Port-a-Piment, and Jean-Eddy Desjardins for Tiburon.

Jamaica

Prime Minister Patterson on Stability of Dollar

FL0209002992 Bridgetown CANA in English 2019 GMT 1 Sep 92

[Text] Kingston, Jamaica, Sept 1, CANA—Jamaica's Prime Minister P.J. Patterson, expressing confidence about the current stability of the island's dollar, is predicting an ease in economic pressures here once the winter tourist season begins in December. The official news agency, JAMPRESS, quoted Patterson as telling supporters in the western parish of Hanover that with the reserves now being built up in the banking system, the Jamaica dollar could pull through until the tourist season begins.

"If we can hold strain until then, I believe that when December and January comes, with the advent of the winter tourist season, we will be able to begin accumulating the level of foreign exchange which will take us out of the economic woods....," the prime minister was quoted as saying.

The Jamaican dollar has for several weeks held steady at J22.20 dollars to U.S.1 dollar, a sharp revaluation from the nearly J30 dollars for U.S.1 dollar to which it slipped before the April rescue initiative of hotelier Gordon "Butch" Stewart. Stewart, crying that the Jamaican dollar was being driven down by speculation, went into the market at below the market rate and cajoled others to follow him.

However, in recent weeks, some economists have argued that the revalued exchange rate was again helping to build demand for imports and hard currency. They also say there are signs of a slowing of foreign exchange intake compared to when speculators were coming out of U.S. dollars and moving back to Jamaica currency. The net effect of all this could be a another round of devaluation of the Jamaican dollar, they argue.

However, the Central Bank and government officials say such concerns are exaggerated, and have recently pointed to improved first quarter balance of payments results as signs of a strengthening economic performance. Patterson in his speech said the intiative to save the Jamaican dollar could be extended to other areas of national life.

"If we do it to protect the dollar, we can do it to protect anything in Jamaica on which we place a high value."

PRI Chairman Addresses Party Credibility

PA2808210092 Mexico City XHTV Television Network in Spanish 0200 GMT 27 Aug 92

[Text] Institutional Revolutionary Party [PRI] Chairman Genaro Borrego Estrada told a group of peasants from around the territory that his party is facing a social credibility battle to continue in power. These are Borrego's statements:

[Begin Borrego recording] Today we must demonstrate our capacity to continue in and compete for power. We must be more efficient to win—in everyone's eyes—the battle of social credibility. [end recording]

The PRI leader spoke at the inauguration ceremony of the National Regular Congress No. 18 of the National Peasant Confederation [CNC]. Referring to the North American Free Trade Agreement, he said that the peasants and the workers will not be forsaken by the PRI and there will be no false illusions of development.

[Begin Borrego recording] The new Mexican prosperity will not grow from the fear of peasants and workers. Progress must be shared by all so it is not short-lived. [end recording]

Deputy Hugo Andres Araujo, CNC leader, demanded that the national banking sector make commitments to the farming sector and give its support to the peasants.

The inauguration ceremony was attended by peasant delegates from all over the nation, former PRI National Executive Committee leaders, the governors of Hidalgo and Campeche, the PRI candidate for Tlaxcala government, and the Veracruz governor-elect. The CNC congress will conclude on 28 August.

Pemex Reports First Semester Production Figures

PA2908221492 Mexico City NOTIMEX in Spanish 0905 GMT 29 Aug 92

[Text] Mexico City, 29 Aug (NOTIMEX)—Mexican Petroleum (Pemex) reported on the night of 28 August that it had produced 9.551 million tons of petrochemicals during the first half of 1992, which is 4.1 percent more than its production for the same period in 1991.

The firm reported that during the first semester of 1992, it has produced more high value products, such as acetaldehyde and high density polyethylene, which registered a 4.5 and 7 percent increase, respectively.

The Pemex report indicates that between January and June 1992, it produced 1.414 million tons of ammoniac, 759,000 tons of ethylene, 294,000 tons of high- and low-density polyethylene, 192,000 tons of toluene, and 170,000 tons of propylene.

Pemex produced 172,000 tons of benzene, 148,000 tons of ethylene oxide, 132,000 tons of acetaldehyde, 103,000 tons of paraxylene, 85,000 tons of ethylbenzene, and 100,000 tons of vinyl chloride.

The corporation also reported the production of 5.982 million tons of other petrochemical raw materials, including ammonia, high- and low-density polyethylene, propylene, and ethylene oxide, among other by-products.

El Salvador

Army Demobilizes Nochez Marroquin Battalion

PA0109181492 San Salvador Radio Venceremos Network in Spanish 1800 GMT 31 Aug 92

[Report by Carmen Guzman]

[Text] The Nochez Marroquin Battalion, which has a total of 486 men, was demobilized on 31 August in fulfillment of the peace agreements. The event was held at the 1st Infantry Brigade headquarters and was presided over by the San Salvador governor and military chiefs. Colonel Jose Humberto Gomez, commander of the 1st Infantry Brigade, indicated the demobilized battalion was created 20 months ago to combat the FMLN [Farabundo Marti National Liberation Front] offensive in November 1989.

[Begin Gomez recording] In view of the intensification of the terrorist offensive against our country's democratic institutions, the High Command created various battalions for the basic purpose of preventing the FMLN from seizing power through military means. To that end, the Nochez Marroquin Battalion was created under the 1st Infantry Brigade and I honestly believe that its basic objective was achieved. [end recording]

As part of the ceremony, the brigade commander was presented with a banner and a weapon from the Nochez Marroquin Battalion as symbols of its demobilization. After the event, Col. Gomez said 31 October is the deadline for the fulfillment of the agreements.

[Begin Gomez recording] [words indistinct] in its latest statements, the FMLN is very subtly trying to make the Salvadoran people believe that 31 October is not a deadline that must be respected. I think that if we are honest with our people, we must respect that deadline and comply with the agreements by 31 October. In other words, the FMLN has to comply with the surrender and (?destruction) of its weapons and its demobilization. [end recording]

The Nochez Marroquin Battalion is the first 1st Infantry Brigade unit to begin its demobilization. Gomez said that the battalion had operated in the First Military Zone, which includes Guazapa Hill. He did not say how many demobilized soldiers are joining civilian life or relocating in the military institution.

Training of Civilian Police Candidates Begins

PA0109165792 San Salvador Canal Doce Television in Spanish 0300 GMT 1 Sep 92

[Text] A total of 600 students were admitted on 31 August to the National Academy of Public Security to be trained as future civilian policemen, an ONUSAL [UN Observers for El Salvador] spokesman has reported. After delays within the framework of the peace agreements, today is the first day of training of candidates for the National Civilian Police [PNC] that will offer public security to the nation. ONUSAL spokesman [name indistinct] said that of the 600 students who are starting classes today, 40 percent are former Farabundo Marti National Liberation Front combatants, and the other 60 percent are demobilized security forces members.

Guatemala

Results of Serrano's South Korea Visit Noted

PA0209015192 Guatemala City EL GRAFICO in Spanish 31 Aug 92 p 12

[Text] Results of President Jorge Serrano Elias' visit to South Korea, following his meeting with President No Tae-u:

1. The South Korean Government will promote the diversification of industrial investment in the areas of electronics, metal products, and agro-industries.

2. Guatemala will be given access to the South Korean investment fund with soft loans whose totals will be established according to programs and projects negotiated by our country.

3. The export of Guatemalan products to South Korea will be encouraged to compensate the balance of payments between the two countries.

4. The South Korean Government will expand its aid program for Guatemala in agriculture and health. To this end, it will donate tractors and ambulances for the country's hospitals.

5. A scholarship program for Guatemalan technicians in various fields of study will be established. In addition, South Korean experts will travel to Guatemala in special missions.

6. The South Korean World Trade Center will give direct advice for Guatemala to improve exporting techniques to world markets.

In addition, President Serrano met with business leaders of the country's four main associations and urged them to invest in Guatemala.

Nicaragua

Chamorro Not To Handle Helicopters Sale Funds

PA0209044892 Managua Radio Catolica in Spanish 1100 GMT 1 Sep 92

[Text] President Violeta de Chamorro announced last week the funds received for the sale of helicopters will not be handled by the president. A communique from the Presidency notes this and states the funds will be used to purchase U.S. helicopters and speedboats. The Presidency has recognized the transaction will involve $20 million.

EPS Reportedly To Sell Additional War Materiel

PA0209044792 Managua Radio Catolica in Spanish 1100 GMT 1 Sep 92

[Text] The Sandinist People's Army [EPS] has announced new transactions. In addition to the sale of helicopters to Peru, other war materiel could be sold to various countries. Sources close to the EPS said the plan is to replace Eastern European weapons with U.S. weapons. Also, loans are being negotiated with Libya or Iran. U.S. Congressmen will not like it if the Nicaraguan Government starts negotiating with Iran or Libya for loans and weapons purchases.

Energy Workers March, Reject Privatization

PA0209042692 Managua Radio Sandino in Spanish 1830 GMT 1 Sep 92

[Excerpt] Approximately 2,000 INE [Nicaraguan Institute of Energy] workers marched through the streets of Managua in what represents the first in a series of labor union activities aimed at rejecting the government's decision to privatize public services. The workers' march sought to demand a revision of the measure. The march began with a quick assembly at the INE plant in Managua and it included delegates from all regions. Following the assembly, the workers marched toward the government house and held a rally to state they have decided to oppose the plan to privatize public services that was recently announced by the executive branch.

The 2,000 marchers then went to the INE office, where they delivered a declaration to INE Director Emilio Rappaccioli. The INE workers received support from people working in other state agencies that might be privatized, including the Nicaraguan Telecommunications and Postal Services. These workers also reject the government decision. [passage omitted]

Commentary Reviews Government After Two Years

PA0209021992 Managua Radio Corporacion in Spanish 2200 GMT 31 Aug 92

[Commentary by Jose Castillo Osejo]

[Text] If from far away it seems like it, from close up there is no doubt about it. Sometimes we resist believing certain things we hear and see. We do it in order not to prejudice our opinions. We have tried to scrutinize the political, economic, and social environment with an open mind. We continue to return to a single idea: a dialogue among all the nation's productive sectors, a dialogue that will culminate in renewal for all Nicaraguans and unity that will strengthen the nation.

Some politicians agree with this idea, others do not. Those who are opposed, however, give no reason for their opposition. They simply oppose the idea and prefer to close their eyes to the reality of the situation. They do not consider that there are two paths to solve Nicaragua's political problems: dialogue or war. There is no middle road in this situation.

Some believe that governments should not compromise. Others hold that governments are created to serve the people and not to be served. We have very carefully reviewed every step taken by the government in the past two years and are disappointed to see that what had appeared to be rash government actions induced by bitter criticisms turned out to be just that, a dangerous reality.

We are surprised to hear that as of late the government is not really interested in the friendship and money loaned by the United States. It reminds us of the position taken by the FSLN [Sandinist National Liberation Front] communists during their time in power. We are even more concerned about attempts being made to contact Libya to get what the United States is denying us because of our failure to keep our promises. Are we going to return to the leftist orbit? Will terrorists return to our country? Has the current government chosen FSLN leaders as its main advisers? Are they no longer interested in men of extensive knowledge and democratic convictions?

Pressure against certain cabinet members who do not give in to demands easily and who do not follow the Presidency minister's orders docilely lead us to believe that someone is interested in clearing away the people obstructing his ambition and political maneuvers.

Are we walking toward a dictatorship? Are we ever going to get rid of the steel gauntlet? We are very concerned about the president's position. Her decision to close her ears to good and healthy advice shows there has been a change of mentality and shows that the flatterers, opportunists, and advantage takers are doing a good job and have begun to divert this government from the correct path, the one that was laid out since before the elections.

We cannot understand why the government is getting intimate with its principal enemies, with whom it eats from the same dish and drinks at the same bar. It is not true that these gentlemen are full of good intentions. The only thing they want is not to be disturbed. They do not want their things taken away. The FSLN will never be able to change its ideology. It is like trying to convince the devil that he should pray to Jesus Christ. The work the FSLN is doing is subtle. They are trying to sway the government to their way of thinking, putting the government in contact with their friends, those who filled Nicaragua with weapons so we would kill each other.

Do not be surprised if in a short while you start seeing dirty internationalists on our streets again, those who once gave our capital such a poor image. Do not be surprised if our country again becomes a cave for terrorists and traitors and do not be surprised if the government says we are a democratic country and that we have the best relations with all countries of the world.

We have again committed the same past mistakes. We are rejecting our true friends and have started to fall into the arms of our enemies. We are playing a dangerous game now with our inside and our outside enemies. We are again calling on our enemies, we are asking for their advice, and we are doing the things they say. What a serious situation lies ahead! We were pleased when we heard that the killers of the air, the Soviet helicopters, had been sold to Peru. But after reading a report in which they shamelessly say the money will be used to cover the needs of former military officers, we realize the FSLN continues to rule and to make decisions. In other words, we have a facade government.

Daniel Ortega barefacedly inaugurates municipal public works projects and the president steps aside. She does not dare tell him to go jump in the lake. Were we hoodwinked? Who decides who gives the orders in this country, those who lost the elections or those who were chosen by the people? It is time to say things clearly and call things by their real names. People are becoming terribly impatient. That is heating things up and when the people become anxious problems emerge and governments are shaken up.

Don't you believe the time has come to tell the truth? Thank you.

Panama

Assembly Chooses Arnulfist Zarak for President

PA0109173192 Panama City ACAN in Spanish 1643 GMT 1 Sep 92

[Excerpts] Panama City, 1 Sep (ACAN-EFE)— President Guillermo Endara's Arnulfist Party (PA) today regained control of the legislature with the support of legislators who backed the previous military regime of ousted General Manuel Antonio Noriega.

PA Deputy Lucas Zarak, the government's candidate to preside over the Assembly for the next 12 months, won the elections from Alfredo Ehlers of the opposition Christian Democratic Party (PDC).

Of the 67 deputies, Zarak obtained the support of 37, winning by 10 votes over Ehlers (two legislators abstained from voting and one was absent).

The 10 legislators of the Democratic Revolutionary Party (PRD), the main force that backed the Noriega regime until the U.S. invasion in December 1989, voted for Zarak and tilted the balance in favor of the government forces.

The "Arnulfismo" of Zarak and Endara only has seven deputies plus the support of 20 allies resulting in a total of 27 pro-government legislators. [passage omitted]

PRD legislator Balbina Herrera voted for Zarak, noting that she was voting for the lesser of two evils.

Rodrigo Garibaldo of the pro-government Nationalist Liberal Republican Movement (Molirena) was chosen first vice president of the Assembly.

While the voting was under way, several dozen people demonstrated in front of the Assembly building. The group included known collaborators of the previous military regime who carried Panamanian flags with black ribbons and demanded the release of "political prisoners." [passage omitted]

Airfields Established Along Colombian Border

PA3108154292 Panama City Circuito RPC Television in Spanish 1730 GMT 29 Aug 92

[Text] Two new national airfields will be installed shortly on the border with Colombia. Here are statements by Major Cristobal Fundora, National Air Service director:

[Begin Fundora recording] We carry out daily patrols on the border to control drug trafficking, piracy, illegal aliens, and weapons traffic. We are increasing this vigilance and, following the government and Justice Ministry's instructions, arrangements are being made to install an air base in Punta Coco and another in Pinas' Bay. We are also working on other projects on which I cannot give any further details until I have more information on...

[Reporter, interrupting] Will the drug trafficking problem on the border be solved with the installation of these two bases that you mentioned?

[Fundora] Not at all, the truth is that drug trafficking is not going to be controlled, we Panamanians must all keep this very clear. [end recording]

According to Major Fundora their work is very difficult as they do not have the necessary equipment.

[Begin Fundora recording] It is very sad for us to arrive at disaster areas at sea where there are persons in the water and at times our planes must fly over them for 45 to 50 minutes until the rescue boats arrive. We do not have the necessary equipment to save these people, particularly when they sink in shark infested waters. [end recording]

Article on Colon Free Zone Trade With Cuba

PA0109040392 Panama City EL SIGLO in Spanish 31 Aug 92 p 89

[Article by Aneldo Arosemena]

[Text] Despite the economic blockade imposed by the United States on Cuba, $90 million worth of merchandise reaches the Caribbean island each year by means of a well-established network of businessmen at the Colon Free Zone in Panama, who sell their goods to communist Cuba and receive payment through funds deposited by the Fidel Castro government in European (UK, Spain) and American (Canada, Mexico) banks.

"Panama, the Diving Board for Exports to Cuba" is the name of an investigative report written by journalist Fredy Lopez. The report, which was published in the latest edition (August) of the Central American magazine PANORAMA INTERNACIONAL, uncovers a hidden side of the multimillion-dollar Free Zone enterprises. The report, which along with charges of drug trafficking and money laundering activities by established firms, has placed the Colon Free Zone in the public eye and under the inquisitive view of the DEA, Interpol, and the Judicial Technical Police (PTJ).

The article cites Judith de Leon, a spokesman for the U.S. Embassy in Panama, who reportedly said the U.S. Government has a "black list" of 200 Colon Free Zone firms that do business with Cuba.

The article also states that at least four key figures of the current "democratic" Panamanian Government represent foreign firms established in Panama that also do business with "totalitarian" Cuba.

The highest point in business done between Cuban firms and the Colon Free Zone was during General Manuel Antonio Noriega's dictatorship. In an article published by the PUNTO DE VISTA magazine, Jose Isabel Blandon, former member of the Democratic Revolutionary Party, a former director of the Institute of Hydraulic Resources and Electrification, and a former political adviser to Noriega, explained the role played by a huge number of Panamanian companies involved in the business. Blandon's mention of PRD Legislator Alberto Aleman Boyd as part of these business dealings led Aleman to file a lawsuit against Jose Isabel "Chabelo" Blandon for the alleged crimes of slander and libel. The lawsuit, in which this journalist [Aneldo Arosemena] is also accused of spreading the alleged slander, is currently being handled by the courts.

The following is the article written by Fredy Lopez, which was published by PANORAMA INTERNACIONAL:

Panama, the Diving Board for Exports to Cuba

Panama supplies Cuba in difficult times with anything from chewing gum, a beer, or a cigarette up to a computer, a tire, or an automobile.

More than 10,000 metric tons of merchandise, more than 100 products, and a little over $90 million worth of goods per year are reexported to Cuba, according to the Colon Free Zone log.

The island receives all it requires during its special period: products from Hong Kong, Japan, Korea, Taiwan, Singapore, Europe, Latin America...and the United States, according to documents and statements that were obtained.

All it takes is a facsimile or a telephone call for Cuba or any other Latin American country to have the merchandise it needs in 72 hours, according to Colon Free Zone Manager Jaime Ford.

The sales method employed by Colon Free Zone businessmen takes care of everything: a telephone call is made or a facsimile is sent and the company takes care of the rest, running no risks over the product's quality and without the high transportation costs.

"Business is business" [preceding words in English], according to Wellington Fung, president of the Concession Holders' Association of the Colon Free Zone.

"Business transactions with Cuba operate very simply," according to Theodore James, editor of EL BOLETIN, a weekly that reviews business activities at the Colon Free Zone, the second most important free zone in the world after Hong Kong.

"A Cuban firm sends a purchase order for the merchandise it needs to the companies that do business with Cuba and the money is collected in any bank in the UK, Spain, Canada, or Mexico," James said.

According to a control document on reexports registered in the Colon Free Zone, the main products exported to Cuba are shoes, clothing, cigarettes, and television sets.

There is also a large demand for tires, makeup, blue jeans, shirts, costume jewelry, air conditioners, office machine accessories, computers, fans of all types, telephones, telegraph machines, cordless telephones, walkie-talkies, and fax machines.

The largest item, per metric tons and value, is classified under "other products." More than 3 million tons, estimated at $18.432 million, approximately 20 percent of Cuba's purchases in the Colon Free Zone, are not described in detail.

According to the statistics, trade with Cuba is equal to 100 percent of reexports to Brazil and a third of what is reexported to Colombia, Venezuela, Mexico, Ecuador, and Chile, the Free Zone's principal customers.

A document issued by Panama's Comptroller General's Office indicates that while Colombia imports approximately $365 million from the Free Zone, Venezuela imports approximately $430 million, Mexico $347 million, Ecuador a little over $300 million, and Chile $284 million. Cuba imports from Colon $90 million in various merchandise.

"The U.S. trade and economic blockade is ridiculous," according to Gerhard F. Vanselow, a German who works as a manager in Central America and the Caribbean for Olympia, the leading company in sales to Cuba of office machines and systems.

"There are no shipments of U.S. products to Cuba but in Havana all the supermarkets where diplomats shop and the small grocery stores are full of U.S. products," Vanselow noted.

Vaneslow said that trade marks products such as Coca-Cola, Pepsi-Cola, Gillette, Gerber Foods, Miller, Budweiser, Heinz ketchup, Parker, Bayer, Sprite, Canada

Dry, Marlboro, Moore, IBM, Goodyear, and General Motors are frequently found on the island.

One can frequently find in the hotels and tourist shops daily editions of THE WASHINGTON POST, THE MIAMI HERALD, THE NEW YORK TIMES, and other U.S. publications that arrive from Panama or directly from Miami.

Every week Lead Airlines Continente charters a plane from Miami for Cuban residents to visit their relatives on the island. They enter the tourist shops with their relatives.

Representatives of foreign firms, who requested that their names be withheld, said that "the U.S. products sold in Cuba are not from the United States, but rather they are manufactured in branches of the U.S. firms in Brazil, Mexico, or Guatemala."

Nevertheless, there is evidence that U.S. manufacturing companies trade in the Colon Free Zone products that are subsequently reexported to Cuba.

For example, last year the U.S. Embassy in Panama gave the Panamanian Government a highly sensitive list of at least 200 enterprises that trade "forbidden products" with Cuba. It also included the names of at least four key persons in the Panamanian Government who represent foreign firms.

According to Judith de Leon, press officer at the U.S. Embassy, the U.S. mission is currently preparing a second "black list" of Colon Free Zone firms that trade with Cuba.

These include Cohen and Attia International, owned by Max Cohen, a Jew; Naval and Industrial Supplier, Inc. (Anaisa), managed by Victor Visquerira, a Cuban; Casa Bee's; and Motta International, one of the largest companies in the Colon Free Zone.

There is a lot of talk in Panama about the latest mandate adopted by President George Bush, who banned ships from docking at U.S. ports on their way to and from Cuba.

Nevertheless, Tom McLean, a U.S. captain who travels aboard ships crossing the Panama Canal, said Cuban ships arrive at and leave U.S. ports flying a Cypriot flag.

In fact, thousands of merchant ships have entered and left Cuba in the last 30 years, it was confirmed by Jaime Beitia, chief of information and public relations for Panama's National Port Authority.

The Servinaves company alone makes two trips per month with cargo from Melfi Marine Corporation, a Cuban enterprise that handles trade with Free Zone users, it was confirmed by Fernando Fragueda, the company's operations manager.

A report from the National Port Authority in Panama says between January and May 1992 steamship agencies C. Fernie and Company and Servinaves have chartered seven ships to Cuba from the port of Cristobal, adding that 26 of its ships anchored at the island in 1991.

According to the report, those ships carry products purchased in the Colon Free Zone to Cuba, and on their way back they bring Cuban products that are reexported to third countries.

Leading Cuban imports registered by weight and value at the Colon Free Zone are rum, synthetic and artificial fabrics, bath towels in assorted sizes, imitation jewelry, four-wheel-drive vehicles, and baseball, softball, soccer, and basketball equipment.

A report prepared by the Statistics Department of the Colon Free Zone's Planning and Finance Directorate indicates trade figures for 1991 involve more than 135,000 kg and $283,000.

The amount of trade activities in the free zone implies Panama is used as a third country to reexport products to Cuba, it was stated by Carlos Garrido, of the Foreign Ministry's General Directorate of International Economic Relations.

Almost all the Free Zone companies are involved in this, he said; adding that National Panasonic exported to Cuba approximately $20 million worth of Betamax videocassette recorder heads early this year.

According to him, an increasing number of U.S. companies are trading with Cuba and sending their products to the island through their branch offices abroad, despite the embargo that has been in effect for about three decades.

Businessmen use a loophole left by the U.S. embargo, which allows U.S. subsidiaries to negotiate with the island products that are considered "nonstrategic," according to the source.

Using the barter system, Cuba exchanges rum, sugar, and tobacco for equipment, machinery, and wheat from Argentina and Brazil. It sends nickel and marble to Canada in exchange for products entering that country under the North American Free Trade Agreement, according to economist Carlos Bellido, of the University of Panama.

Under the protection of the Montevideo Treaty, better known as the Latin American Integration Association agreement, signed in 1980, Latin American countries are able to establish bilateral agreements with member-states and Cuba is a member-state, Bellido explained.

Countries such as Brazil, Mexico, Canada, Switzerland, and Spain, which have good relations with Cuba, serve as intermediaries in the triangular commerce and help Fidel Castro's regime survive the devastating loss of food and subsidized products it formerly received from the former Soviet Union, he added.

Brazilian firms, for example, send a variety of U.S. products to Cuba. They range from cereals and fertilizers to tires and outboard motors, he said.

According to the Latin American Integration magazine, since 1990 more than $50 million in U.S. merchandise has been sold to Cuba through Brazil.

Like Panama, Cuba uses lines of credit from Swiss and Spanish banks to pay the Brazilian firms, which later transfer the money to the U.S. firms.

"There is no pressure from the United States (for allowing commerce with Cuba) and, if it should arise, Panama does not have to heed it," bluntly stated Panamanian Foreign Minister Julio Linares, who has generated a favorable international climate for President Guillermo Endara's regime.

"Panama is free to trade with the people and the organizations it considers convenient. Commerce with Cuba continues on its normal course," he reaffirmed.

Linares spoke emphatically when he referred to Panama's relations with the island governed by President Fidel Castro for the past 30 years. Panama expelled the Cuban ambassador at the start of the Endara administration because Cuban Government policy was to censure the Panamanian Government and Cuba attempted to present us as being totally subservient to the United States, the foreign minister said.

This, however, did not alter commercial relations with Cuba: "These relations continue at a normal pace. If the Cuban Government had persisted in its policy against Panama, we would have had no other choice but to include the economic field," he added.

Linares asserted that Guillermo Endara had asked for internal consensus on the Cuban issue and that his attitude differed from the current international viewpoint.

Argentina

* UCR Document Criticizes Government Policies

92SM0565B Buenos Aires LA PRENSA in Spanish 20 Jul 92 p 6

[Text] The UCR [Radical Civic Union] cites economic stability and reduction of inflation as the government's main achievement, but demands "a reassessment of the course to be followed to prevent the social and political deterioration that is making itself felt in the society from eventually affecting the normal functioning of the institutions."

In a document published yesterday by its National Committee, the UCR draws up a balance sheet of President Carlos Menem's three years in office as head of the government and asserts that it will continue in its role of constructive opposition and will not abandon "its fighting stance nor its dedication to dialogue."

In addition to terming "positive" the Argentines' determination to support the democratic system, the UCR document states that the attainment of "an incipient economic stability" has been an "appreciable" achievement and that "the decided downtrend of historic inflation rates has brought about a healthy improvement in the state's tax base and the balancing of public accounts."

It adds that "this situation has in great measure smoothed the functioning of the country's economy," but argues that "the achievement of this result has been possible only through the liquidation of numerous public assets in operations that in many cases have lacked transparency."

It points out that "these operations did not translate into an improvement of the services received by the population or a lowering of the rates being charged for them and that the proceeds of these operations were channeled neither toward a modernization of the nation's productive structure nor toward other public works.

"The level of investments in Argentina"—the document states—"continues to be altogether insufficient in relation to the country's needs, while, on the other hand, speculative operations without risk and with no social gains continue to predominate."

Wages And Pensions

The UCR document maintains that "the rise in prices of staple items and services has not been accompanied by so much as the slightest rise in either wages or pensions," and it underscores that "implementation of policies aimed at creating jobs or capturing foreign markets for the country's labor and products is nowhere to be seen on the horizon."

It then asserts that "this new economic distribution among a few beneficiaries and the restructuring of the foreign debt in favor of the creditor banks have been absorbed by the population's most underprivileged sectors, which have suffered the elimination of the vast majority of social welfare programs."

The UCR also asserts that "the state has virtually turned its back, not only on its role as promoter of development and investment, but fundamentally on its obligations toward society's most bypassed sectors."

Regional Economies

The document calls attention to "the progressive depopulation that the interior of the country is experiencing as a result of the deindustrialization and crisis that are besetting its regional economies" and criticizes the government for having eliminated subsidies to regional transport means "while continuing to subsidize the enterprises that have taken over the collection of road tolls.

"Added to the continuing unfolding, without sufficient clarification, of scandals involving high government officials, this situation understandably discourages the population and, in its view, discredits the authorities, particularly when they refuse to accept the meaning of electoral mandates," alluding to the UCR triumph in this year's 28 June elections.

The UCR deems that with three years remaining for this administration, "It is imperative to reassess the course to be followed."

In the concluding section of the document, the UCR reasserts its decision to continue its dialogue with the government and urges that "the rest of the national leaders, especially the government, assume a communicative posture in the face of the obvious crisis."

* Possibility of Cabinet Reshuffle Assessed

92SM0565A Buenos Aires LA PRENSA in Spanish 26 Jul 92 p 9

[Report by Sergio Crivelli: "Awaiting the Return"]

[Text] On Thursday, Eduardo Menem asserted that there will not be any ministerial reforms when his brother Carlos returns to Buenos Aires. He thus contradicted the persistent rumors that have circulated for weeks around Government House and the majority of the ministries about a forthcoming reshuffle of the entire governing lineup.

Some of these rumors have it that the president already had a new Cabinet up his sleeve even before boarding the plane for Madrid, and from this viewpoint, Eduardo Menem's words sounded more like wishful thinking than an achievable prediction.

On the other hand, official government sources, drawing a fine line, expressed the opinion that statements by the president's brother revealed a strategy and a realignment within the Cabinet, the cornerstone of which is the reconstruction of the "celeste" [sky-blue] sector [the moderate wing of the Peronist Party's Menem faction],

which more than once has been the target of insults by "historical" Menemism and its Liberal allies in the government.

According to this view of what is happening inside the Justicialist Administration, Eduardo Bauza and Eduardo Menem have begun mending their relations with Luis Manzano, which had been deteriorating for some time. In this context, then, this group's strategy would seem to be aimed at preserving the status quo and preventing someone foreign to the fraternity from infiltrating into the Ministry of Interior.

According to the same sources, an updated map of the government's inner circle must show at least two regions: The one occupied by the celestes and their allies and the other by their almost public enemies, such as Antonio Erman Gonzalez, Carlos Grosso and the Alsogaray family. There are also the nonaligned, such as Antonio Salonia and Leon Arslanian. But the key to the ratio of powers among the main clans is provided by the Ministry of Economy. And the virtual prime minister, Domingo Cavallo, is maintaining a tactical alliance with Jose Luis Manzano and the most "political" government leaders, whom nothing seems to have weakened for the time being.

On the other hand, Jose Luis Manzano, whom Cavallo has frequently defended in the last few months against attacks that were on the verge of overthrowing him, found his position strengthened anew by the disclosure of a kidnapping for extortion to which the media gave wide publicity. Although the merit in this case properly belonged to the police, the incident was capitalized on by Manzano in the presence of Carlos Menem and became one of the president's few joys at a time when, according to those close to him, he is not in the best of moods.

Zulema Reappears

Actually, this circumstance has been viewed as related to the reappearance of the head of state's ex-wife at his side, an event that has aroused concern among some government officials. Prior rumors of this reappearance had been making the rounds in Casa Rosada and Olivos for more than 10 days. And when the former first lady showed up in Ezeiza to say good-by to her daughter and the president, who were leaving for Spain, suspicions reached the level of paranoia.

The fact, in all truth, is that the eventual mending of the head of state's conjugal relations must be viewed as an inevitable political given, judging from the experience accumulated during the initial periods of his administration. And this, Eduardo Menem knows at first hand.

Looking beyond the palace comings and goings, however, ministerial reform seems nothing less than inevitable. Not only because some ministers, like Rodolfo Diaz and Antonio Salonia, have lost so much strength as to seemingly have become unable to recover it sufficiently to exercise power in their respective areas, but because the Menem administration is facing a new stage in its conduct of government that will compel Menem to make radical changes.

Until a few months ago, Menem's plan was founded on two pillars: reelection and stability. The first is showing cracks that have weakened it almost definitively, although some of the president's most trusted men dream of repairing it, starting in 1993. Thus, there remains stability, besieged today on two fronts. An external one, of sectorial demands that are multiplying and threaten to derail the ironclad austerity program in the not-too-distant future, and an internal one, of leaders who persist in initiating Menemism's "social stage."

Heading that list is Eduardo Duhalde, who has granted pay increases to teachers and public-sector employees in Buenos Aires at a time when, as decreed by Cavallo, the rest of the nation has been keeping wages virtually frozen for more than a year.

The New Cabinet

It is against this backdrop that Carlos Menem will have to select the candidates—who are growing like mushrooms after a rain—for the ministerial reshuffling. He must either strengthen Cavallo's position, by replacing Diaz, Manzano, and Di Tella with officials who are tuned in on the same frequency as the Ministry of Economy, or bring in persons of prominence who can engage in conflict with Cavallo.

In other words, the changes that actually take place will signal whether Carlos Menem is staking everything on stability as the only winning card left to him, or whether, together with several of his collaborators, he believes that stability alone will not suffice to win the 1993 and 1995 elections and that he is therefore compelled to make some fundamental course corrections in his present policies.

Perhaps a recent example will serve to illustrate the dilemma that presently confronts the government. During the Porto de la Rua electoral campaign, the mayor, Carlos Grosso, arrived at the conclusion that Peronism had to come up with something impressive to improve his embattled position vis-a-vis the Radical candidate. Nothing better came to his mind than to increase the municipal-sector teachers' pay, thus triggering, involuntarily of course, the conflict that has caused the government so many worries. In spite of which, Grosso cut a fine figure among officials who agree with him that he was one of the few able to put constraints on Cavallo's political influence within the Cabinet.

There remains still a third and final alternative: the appointment of ministers and secretaries representative of the different power centers, a formula Menem resorted to at the start of his administration. The results obtained in 1989 and 1991 speak for themselves as to the failure of this strategy. The president wanted to keep all the government strings in his hands and thus become the

unappealable court of last instance in the decision-making process, but he had to resort to Cavallo, who for more than a year has been acting as prime minister. Despite the time that has elapsed, the head of the Ministry of Finance continues receiving the "inheritances" bequeathed by the first cabinet, such as the catastrophic privatization of Aerolineas, a maneuver typical of his ex-colleague, Jose Roberto Dromi.

In sum, the awaited change of guard—opposed by the minister of economy's backers—will be a "test" of the future Cavallo plan. And some economic operators, especially in the Stock Exchange, do not seem very optimistic with regard to the changes that may eventually be made in the Cabinet.

* Social, Political Unease in Provinces Reported

* Situation in Cordoba

92SM0564A Buenos Aires LA PRENSA in Spanish 25 Jul 92 p 13

[Text] Cordoba (NA and Telam)—Cordoba's provincial minister of agriculture, Luis Farias, has resigned because of disagreements with Minister of the Economy Jorge Caminotti. This intensifies the crisis prevailing among the colleagues of Governor Eduardo Cesar Angeloz.

Farias submitted his resignation to the provincial chief executive apparently because of Angeloz's decision to veto the new soil conservation law, a veto that was urged by Caminotti.

The departure of the minister of agriculture follows the recent resignation of the minister of health and social development, Miguel Martinez Marquez, and the replacement of the head of the police, Luis Esteban Saravia, which took place two days ago.

Saravia was relieved of his duties after intelligence officers from the police department entered meetings being held by provincial doctors concerning their grievances.

On that topic, Justicialist Party national deputy Leonor Alarcia reported that police intelligence agents were also present at a recent party meeting in Villa Maria, attempting to identify the persons present and obtain copies of the speeches given.

Challenges

During his nine years as governor, Angeloz had never before faced a situation like the present one, nor has his administration had to deal with the political and social challenges now arising.

In addition to the case of the murder of former Radical Senator Regino Maders—which the government has been unable to clear up—there are doubts about the management of the Bank of the Province, whose institutional and financial situation is the subject of serious concern.

The courts have ordered Alberto Castagno to appear next week. He was president of the bank until a short time ago and is to testify in the investigation of some grave irregularities that have been reported.

Governor Angeloz must also cope with the unrest of government workers who are demanding changes in their salaries. This demand is shared by central administration employees, doctors, and teachers.

Workers and employees of the Cordoba Provincial Power Company are engaged in a bitter dispute, openly opposing the Angeloz plan to privatize the electricity generation and distribution systems.

For the past month the capital city has been suffering from repeated power cuts, which the authorities have called acts of sabotage by disgruntled workers.

Public Freedoms

The minister of government, Octavio Cortez Olmedo, stated emphatically that "Cordoban society will not tolerate in the slightest degree whatsoever any action that could endanger public freedoms."

The minister was referring to the actions by police at meetings of doctors held in two public hospitals in this city last Tuesday. The police intervention led to the removal of the former head of the police department, General Commissioner Luis Esteban Saravia.

In appointing the new head of the security force, General Commissioner Fernando Ruben Bornancini, the minister said: "The investigations of those events will provide a definitive answer concerning the profile of those events and what actually happened."

Apologies by Angeloz

Governor Eduardo Angeloz had "secretly" approved the presence of two police agents at the doctors' meetings in an attempt to collect information about the persons attending these meetings.

"In the name of the freedom and democracy that I have always defended, I ask the doctors to pardon me for this insult that they have received," Angeloz said.

San Carlos Minas

In the meantime, Eduardo Angeloz visited a reconstruction site in the San Carlos Minas area, which was destroyed by a flood on 6 January of this year. The flood caused 30 deaths.

Angeloz made an unscheduled visit to the area and met with local authorities who informed him of the progress of the work. He then stated that "administrative circumstances have kept certain problems from being resolved with the requisite immediacy."

The governor, who gave an ambulance to the local hospital, said that the executive branch "will not cease to

carry out its obligations" to rebuild this town, located 150 km from the provincial capital.

He announced that at the end of July "the first 10 housing units" built by the Provincial Housing Institute will be awarded to their new tenants, to be chosen by lottery.

Another 10 will be ready for occupancy in August. "After that," he said, "we will be completing housing units at the rate of 14 units per month until the 97 units for which bids were recently awarded have been completed, and then the 123 units that are needed to cover the area's needs."

* Labor Unrest

92SM0564B Buenos Aires LA PRENSA in Spanish 25 Jul 92 p 13

[Text] Cordoba (TELAM)—Workers from EPEC [Cordoba Provincial Power Company] conducted an active work stoppage with marches through central city streets in Cordoba, seeking salary improvements and expressing their opposition to the privatization plans the government has announced.

The demonstrators set off firecrackers during their walk, and on a number of street corners they lit bonfires, which caused numerous disruptions and blocked vehicle traffic.

This form of protest is called an "active work stoppage," said union spokespersons from Light and Power, which represents the EPEC workers.

They indicated that in a meeting at the union headquarters, it was decided to meet with political party representatives, possibly next Monday, in order to discuss the current situation.

It was further decided to send a delegation of union members to Buenos Aires to hold a press conference and explain their reasons for opposing the company's privatization.

Today's decision means they will continue their campaign against privatization, which consists of working to rule without putting in any extra hours and making repairs only in emergency cases that could present a danger for the population.

The action of the EPEC employees is intended essentially to reject the privatization of some areas of the company, an initiative that has been repeatedly confirmed by Angeloz and by the minister of public works and services, Felipe Rodriguez.

* Mendoza's Problems

92SM0564C Buenos Aires LA PRENSA in Spanish 22 Jul 92 p 11

[Report by Angel Grajales]

[Text] Mendoza—As in the rest of Argentina, Mendoza's socioeconomic situation is not exactly resplendent, and the local government is facing labor unrest primarily from teachers and state employeees, although some other disputes that seem to have political connotations are also appearing.

The cost of living rose 0.72 percent here in June, but salaries paid to government employees, teachers, police, retirees and pensioners have generally remained meager. While official figures on the rate of inflation reveal that there has been a considerable reduction, some items such as food, medicines, and clothing continue to report price rises, which naturally work against the stability plan.

In addition, progressive increases in tax payments for public services and hidden increments in rental taxes continue to make the situation even more disturbing.

Still, Rodolfo Gabrielli's administration has made great efforts, and actions taken in the fields of education and public health are evident here. They are also trying to revitalize the provincial economy, expanding production indices and encouraging sustained diversification and regional exports.

Irritants

As in other parts of Argentina, Mendoza has not been spared the irritants that have in some instances been created by the federal government's policy. Some examples of this are the closing of railway branch lines, the surprising transfer—without financial aid—of the normal schools, and the excessive and arbitrary attempt to modify the federal revenue-sharing system.

In Mendoza's case, this has already led to a budget revision, as the cutback in revenue-sharing taxes will make it impossible to hold to the schedule set for financing action plans and public works for the current year.

While this is taking shape as a concrete reality for the immediate term, many Mendozans remain expectant, while others seem merely resigned because major productive programs cannot be initiated or planned.

Just a little while ago, despite the sucesses of Argentine wines at international fairs and wine-tastings, it was learned that during the first months of this year there was a considerable reduction in the volume of wine and must concentrates exported.

Of course, Mendoza does not depend solely on its wines and grapes, but they are an important source of revenue even though major consumption centers are still challenging the labelling system used, disregarding the law concerning division by origin. There are other production sectors that merit concern on the part of the government, but often these sectors do not have the necessary impact on private activity.

Other Resources

Even though this province does have other major resources, such as intensive agroindustrial production and the production of metallic and nonmetallic mineral ores, sufficient efforts have stil not been made to achieve true economic diversification.

The transfer of the El Nihuil dam and the future formation of a corporation—in which Mendoza will participate—to manage and operate its hydroelectric plants, plus the transfer of all the projects developed by National Water and Electric Power, are not enough to stimulate the regional economy's growth.

Mendoza is highly dependent on its water resources and has to execute numerous infrastructure projects to expand its cultivated area, which is no more than 300,000 hectares. But it must also—as has been stated—intensify its diversification plans. For decades, elaborate plans have been prepared, but they have not been carried out because of a lack of financial resources or because of a lack of understanding on the part of both provincial and national officials.

Governor Gabrielli is counting on achieving some objectives through Mercosur [Common Market of the South] and on marketing both traditional and nontraditional regional products in all countries.

Bolivia

Minister Says Relations With Chile 'Traumatic'

PY3108144292 Madrid EFE in Spanish
1847 GMT 30 Aug 92

[Text] La Paz, 30 Aug (EFE)—Bolivian Foreign Minister Ronald MacLean today told the local press that Bolivia has "traumatic" relations with Chile, and that very little progress has been made in the negotiations to resolve Bolivia's landlocked situation.

The minister said that "Bolivia should approach its relations with Chile with courage and from a realistic viewpoint. I believe that xenophobia is insufficient justification for our policy toward that country."

"Our long-term national objective is to recover our sea coast, but this should not be accomplished through confrontation, belligerence, or aggression," MacLean said as he explained to the local press the "strategy of peace" adopted in foreign relations.

The minister said that the "logic of force is absurd." He added that "there is a strategy of peace, there must be a strategy of integration, of persuasion, and—above all—of reason over force."

Several opposition lawmakers last week submitted to Congress a bill forbidding the executive branch from reestablishing diplomatic relations with Chile or strengthening commercial ties with that nation until the problem of the access to the sea is solved.

Bolivian-Chilean relations have remained broken for 27 years, except for a brief period between 1975 and 1978, because of Bolivia's century-old demand for a sovereign access to the Pacific Ocean.

Over the past 10 years, governments in Bolivia have unsuccessfully attempted rapprochement with Chile, making conditional the reestablishment of diplomatic relations on an agreement over a sovereign access to the sea.

The minister said that commercial relations with Chile, though significant, are not perfect because there is considerable imbalance toward Bolivia, which imports four times as much as it exports to Chile.

MacLean reported that commercial agreements are being negotiated with Chile to open markets to Bolivian products, especially agricultural industry products, and the possible sale of natural gas to northern Chile.

The minister admitted that "it was believed that the restoration of democracy in Chile would make relations easier, but President Patricio Aylwin's government includes Augusto Pinochet in the Armed Forces, and he maintains a very conservative and negative attitude on this subject."

In statements to Radio Panamericana, former Bolivian Foreign Minister Jorge Escobari criticized the current government because Bolivia's sea demands "are forgotten, and there are no indications that Chile will consider this possibility."

Bolivia lost its coast on the Pacific Ocean in 1879, during a war in which a Bolivian-Peruvian alliance was defeated by Chile.

Brazil

Attorney General Receives CPI Report

PY0109153492 Sao Paulo SBT Television
in Portuguese 1514 GMT 1 Sep 92

[Relay by Juliana Morrone from the Attorney General's Office in Brasilia—live]

[Text] We are at the Office of the Attorney General of the Republic where Deputy Benito Gama, chairman of the CPI [Congressional Investigating Committee] and other congressmen are delivering the final CPI report on the PC [Paulo Cesar] Farias case. Only photographers and cameramen are allowed inside the office.

The CPI report on PC Farias is more than 350 pages long and the congressmen also brought another 500 kg of documents.

As soon as the CPI report on the PC Farias case is delivered, a new stage will begin: Attorney General Aristides Junqueira will decide whether or not to level charges before the Federal Supreme Court against President Fernando Collor. The attorney general may either

file the case or request further investigations. The attorney general does not have a time limit.

The attorney general has already signed the receipt protocol. The CPI report has officially been delivered to the attorney general.

Senate Leader Maciel 'Tendered' Resignation

PY0109223092 Brasilia Voz do Brasil Network in Portuguese 2207 GMT 1 Sep 92

[Report by correspondent Luiz Augusto Mendonca from Planalto Palace in Brasilia]

[Text] Senator Marco Maciel, government leader in the Senate, has just tendered his resignation to Marcos Coimbra, secretary general of the presidency.

The information was released by the Presidential Press Secretariat. The name of the new government leader in the Senate will reportedly be announced on 2 September.

The Press Secretariat also reported that President Fernando Collor will travel to New York 19-22 September to attend the annual UN General Assembly meeting.

Fiuza Assumes Post as Political Coordinator

PY0209025692 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 1 Sep 92

[Text] Social Action Minister Ricardo Fiuza has assumed the position of government political coordinator, and will move to the Chamber of Deputies to fight against the request to impeach President Fernando Collor.

Activities among government leaders were intense today. The president met with his leaders and talked about the government strategy to bar the impeachment process in the Chamber of Deputies.

The PTB [Brazilian Labor Party] leader in the Chamber of Deputies, Nelson Marquezelli, said that although the party is divided 20 of the 30 votes of the bloc are against the impeachment. He also defended the secret vote.

[Begin Marquezelli recording] In my judgment I think we are going to follow the party tradition. We are for the secret vote. [end recording]

Army Minister Carlos Tinoco and Social Action Minister Ricardo Fiuza were also at Planalto Palace today. According to presidential spokesman Etevaldo Dias, Fiuza will leave the ministry and return to the Chamber of Deputies during the voting on the impeachment process, to defend the government in the National Congress.

Governor Brizola Says Resignation 'Inevitable'

PY0109180292 Montevideo Radio El Espectador Network in Spanish 1600 GMT 1 Sep 92

[Excerpt] [passage omitted] Rio de Janeiro State Governor Leonel Brizola has said that the resignation of President Fernando Collor is inevitable, adding that Vice President Itamar Franco should take over and that his party [Democratic Workers Party, PTB] is willing to help develop the Brazilian democratic process normally until the 1994 elections.

In an interview with El Espectador this morning, Brizola said he was not surprised by the conclusions of the report submitted by the Congressional Investigating Committee [CPI], and that now it is necessary to wait for the outcome of the impeachment.

In the face of the possible replacement of Collor de Mello, Brizola said that rather than moving up the elections, he favors compliance with constitutional principles and Vice President Franco's installment as president.

Brizola, a Democratic Workers Party leader, said this will require a political agreement to guarantee the governability of the country, although he said his party would not participate in the new government. In that case, he said his party will not engage in radical opposition practices, because political instability could create the proper atmosphere for the return of authoritarianism.

Brizola also referred to his political attitude toward President Fernando Collor and to what he is now proposing.

[Begin recording] [Brizola] Actually, we continue to be courageous [words indistinct]. We do not agree with a process that (?turned into) an attack. We believe this could even serve to conceal a coup attempt, as happened in 1954 and 1964.

[Unidentified reporter] Was that your fear when officials began to resign?

[Brizola] Right, because we were actually never allies of President Collor. On the contrary, we have always been adversaries. The presidential campaign ended in a very harsh atmosphere. He was elected president and I was elected governor of Rio de Janeiro. Consequently, after I was elected governor, I believed I should have developed administrative relations, and so did Collor. Therefore, we had good administrative relations.

When this process began, we (?criticized) the biased position of some CPI members who investigated facts but who almost always aimed their action at the president, drawing hasty conclusions and speaking about impeachment before actually investigating. That was the target of our protest. Yet we have a clear view of things, and we want to fight irregularities and corruption, no matter where and no matter against whom. [end recording]

PFL Leader Seeks Votes Against Collor

PY0209122492 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 Aug 92 p 6

[Interview with Senator Elcio Alvares, deputy leader of the Liberal Front Party [PFL] in the Senate, by reporter Suely Caldas; place and date not given]

[Text] [Caldas] When did you decide to break with the PFL position?

[Alvares] As an alternate member of the CPI [Congressional Investigating Committee], I attended 80 percent of the meetings and testimonies, and participated in the first investigation on the checks. As the work went on, I developed an opinion on the case. Yet, the crucial moment was the second day of testimony by [former presidential secretary] Claudio Vieira. Some of us, including Deputy Luiz Eduardo Magalhaes and I, met a few hours earlier with Secretary of Government Jorge Bornhausen at the residence of Social Action Minister Ricardo Fiuza. Bornhausen remained silent throughout that meeting. I stated there that the speech by the president that was televised in an emotional tone had been all but convincing. After hearing from Fiuza that Vieira was going to give indisputable testimony, I went to Congress. After hearing Vieira's testimony on Operation Uruguay, I became disgusted and realized that the government was not addressing the matter as seriously as it should.

[Caldas] Did you convey your indignation to your party?

[Alvares] I met again with the PFL leadership and stated that my commitment to the party could not go beyond certain ethical limits and that those limits were broken that afternoon by Vieira's testimony. I became convinced that there was incriminating evidence against the government. I also stated that the PFL could not manacle its congressmen and should thus allow them to vote in accordance with their conscience.

[Caldas] Did the PFL bloc in Congress meet to discuss the subject?

[Alvares] No. There was no meeting of the bloc, but we continued to hear statements of support for President Collor, made in the name of the PFL, that were made without consultation. The day the president asked the people to wear green and yellow [Brazilian flag colors] I realized that he had become completely insane. In the meantime, the CPI continued to produce increasingly incriminating evidence. I told the leadership that to continue to support him would be to betray my conscience. Despite all that, two weeks ago I made the commitment to Senator Hugo Napoleao that I would not say anything until the CPI report was made public.

[Caldas] How did you feel when you heard the applause of your colleagues?

[Alvares] I did not expect such a great reaction. All I did was pour my heart out. After all, PFL members are regarded as opportunistic despite the fact that we have not been involved in any government scheme and that most PFL senators are serious people.

[Caldas] Will the PFL join the opposition if Itamar Franco is inaugurated as president?

[Alvares] Senator Marco Maciel informed a group of senators that PFL senators may vote in accordance with their conscience and Hugo Napoleao proposed a bloc meeting to discuss the political situation. I complained about some colleagues who say, without a decision by the bloc or the party, that the PFL will join the opposition if Franco is elected president.

[Caldas] What is the situation of the PFL ministers?

[Alvares] I believe there is consensus today on three points: First, the party will not adopt any position on the impeachment vote and every PFL member will be free to vote on it; second, we are going to discuss the current political situation and review our support for Collor; and third, the PFL should give freedom of action to PFL ministers. Whoever wants to stay, may stay in the Collor government—and this appears to be what they want—but, we must withdraw the party support.

[Caldas] What is your assessment as to where the PFL members will stand on the impeachment vote?

[Alvares] Thus far I have talked to seven [as published] of the 17 PFL senators and they are all in favor of impeachment. They are: Alexandre Costa, Joao Rocha, Julio Campos, Dario Pereira, Raimundo Lira, and Josaphat Marinho, who is linked to Bahia Governor Antonio Carlos Magalhaes. I am certain that other senators will also be on our side by the time of the vote. Regarding the Chamber of Deputies, I only have a report on the 10 members of the Espirito Santo bloc: They are all in favor of impeachment.

[Caldas] Why do you believe most PFL congressmen will ultimately vote in favor of impeachment?

[Alvares] Two major factors are today instrumental in rapidly rallying forces in favor of impeachment. They are: First, the pressure exerted by the rank and file. Mayors, candidates for mayors and councilmen, can no longer tolerate being branded during this campaign as opportunists who are members of the party of Collor and businessman PC Farias. In a trip to Parana State, for instance, members of the regional PFL board thanked me for the statement I made on 26 August [during the reading of the CPI report, when he stood and publicly endorsed it]. Second, there is another factor which is even more decisive: Thousands of people have taken to the streets to demand President Collor's impeachment.

[Caldas] What is the position of PFL Leader Marco Maciel?

[Alvares] I have a deep respect for Senator Maciel. His unblemished public record is not in keeping with the corrupt actions of the Collor administration. He is,

however, in an uncomfortable position. If his colleagues in the PFL bloc take the initiative—because he cannot do that—of breaking with the government, he will reach this conclusion: How can I continue to be a leader is there is no one left to be led? At that time he will certainly change his position because a good leader is he who is capable of interpreting the feelings of his bloc.

PFL Divided Over Break

PY0109143892 Rio de Janeiro O GLOBO in Portuguese 31 Aug 92 p 5

[Text] Brasilia—The PFL [Liberal Front Party] leadership is divided over the possibility of breaking with the government after President Collor rejected a recommendation by Political Coordinator Minister Jorge Bornhausen to make Collor's resignation contingent on congressional approval, within 30 days, of bills to modernize our country. Senator Marco Maciel will allegedly resign today as government bloc leader in the Chamber of Deputies, but Social Action Minister Ricardo Fiuza and Education Minister Eraldo Tinoco, both PFL members, disagree with Bornhausen's view that Collor's decision paves the way for the PFL ministers to leave the government.

During the whole day, the PFL leadership, comprising Bornhausen, Bahia Governor Antonio Carlos [Magalhaes], Minister Fiuza, bloc leaders Luis Eduardo and Marco Maciel, and Senator Guilherme Palmeira, exchanged telephone calls without reaching a solution.

Collor To Lose Party Support

PY0209131292 Sao Paulo FOLHA DE SAO PAULO in Portuguese 31 Aug 92 Section 1 p 4

[Article by Tales Faria]

[Text] President Fernando Collor this week will officially lose the support of the PFL [Liberal Front Party], the main government party in Congress. PFL National President Hugo Napoleao (Piaui) yesterday told Minister Secretary of Government Jorge Bornhausen over the phone that this week he will call for a meeting of the party national executive board to announce the break with the government.

Bahia Governor Antonio Carlos Magalhaes, who controls the largest PFL bloc in Congress, has told deputies of his bloc that this week he will announce the break with the federal government. Magalhaes intends to be in the opposition during an eventual government of Itamar Franco.

The PFL blocs in the Senate and in the Chamber of Deputies should meet before the party National Executive meeting. The request for impeachment [preceding word in English] will be delivered to Chamber of Deputies President Ibsen Pinheiro (PMDB-RS) [Brazilian Democratic Movement Party-Rio Grande do Sul] on 2 September. On the same day, Benito Gama (PFL-BA) [Bahia], the chairman of the CPI [Congressional Investigating Committee] looking into the Collor scandal, should hand the final CPI report to Attorney General Aristides Junqueira.

PFL, PTB Deputies Freed for Impeachment Vote

PY0109162692 Rio de Janeiro TVE Television in Portuguese 1514 GMT 1 Sep 92

[Text] The ministers of education, social welfare, and the secretary general of government have decided to maintain the governability agreement. During a meeting that ended at dawn today, the PFL [Liberal Front Party] decided to allow its congressmen to vote according to their consciences if the Chamber of Deputies approves Collor's impeachment.

All PFL leaders participated in the meeting: Ministers Ricardo Fiuza, Eraldo Tinoco, Reinhold Stephanes and political coordinator Jorge Bornhausen confirmed the terms of the governability pact and stated that they will remain in government. The ministers and congressmen also discussed the direction to be followed by the PFL from now on. Four hours after the meeting began, the decisions were announced by Senator Hugo Napoleao, PFL president.

[Begin recording] We will not be strict about the voting of the impeachment request. We are still waiting for the announcement on how the voting session will be handled. However, I must frankly and sincerely say that there will be no order or tutelage on how to vote. The PFL ministers will continue working in their ministries in keeping with the agreement reached among the whole cabinet. [end recording]

The PTB [Brazilian Workers Party] has also allowed its congressmen to vote according to their consciences, confident of their support for President Collor. Deputy Nelson Marchezelli, leader of the PTB congress bloc, went early this morning to Planalto Palace justifying the party's optimism.

It was a very busy morning of meetings with political leaders. Deputy Marchezelli is optimistic about the votes the government has ensured in Congress. He said that of the 30 PTB congressmen, 20 are in favor of Collor.

[Begin Marchezelli recording] We have 30 deputies, I have left the matter open to allow them to vote according to their consciences. We want governability for the country and the moralization in the Brazilian public sector. [end recording]

Bahia Governor 'Washed His Hands' of Collor

PY0109145492 Sao Paulo FOLHA DE SAO PAULO in Portuguese 29 Aug 92 Section 1 p 7

[Article by Gilberto Dimenstein and Tales Faria]

[Text] Bahia Governor Antonio Carlos Magalhaes has washed his hands with respect to President Collor. After

two days in Brasilia, Magalhaes and his congressional bloc began to consider whether to vote for impeachment. The governor, however, does not intend to ally himself with an eventual government of Itamar Franco.

The governor's position has led other PFL [Liberal Front Party] government leaders to consider whether to allow deputies and senators to vote for impeachment. Marco Maciel, the PFL government bloc leader in the Senate, and Minister Jorge Bornhausen could be put out of the government in the event of a break. Magalhaes controls between 30 and 50 deputies.

Marco Maciel promised PFL senators that this week he would hold a meeting to study the party bloc position toward impeachment. Magalhaes and politicians of his bloc have realized that their group is the only one to suffer through supporting the president and that the government has nothing left to offer.

Magalhaes also believes that Collor will not resign and that in the struggle to stay in his post, he will have to satisfy the government parties' greed for budget and posts, something that would render unfeasible the demands of the PFL.

Magalhaes and his group are now studying the best moment for announcing that they will break with the government. The governor expects that this decision will mark the end of the government.

Fleury on Governors' Role During Impeachment

PY0209034892 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Aug 92 p 6

[Interview with Sao Paulo Governor Luiz Antonio Fleury Filho by correspondent Ana Maria Tahan—place and date not given]

[Text] [Tahan] What is the role the governors must play during the discussions on impeachment?

[Fleury Filho] The governors will have to guarantee the country's stability. They will try to establish, together with Congress, an agenda of voting that will guarantee the necessary tranquillity. Then, to the extent possible, they will have to try to isolate, to prevent the political crisis from affecting the economy and the country's own governability.

[Tahan] How do you intend to prevent the political crisis from affecting the economy, most of all, which is already affected by recession?

[Fleury Filho] The facts show that so far the political crisis has had minimum impact on the economy, because all expectations point to a quick solution.

[Tahan] What must be urgently changed in the economy?

[Fleury Filho] Among other points, we are preparing a new fiscal adjustment proposal to be discussed with the finance secretaries and with Congress, so as to have an adjustment that will have great fiscal reform as a goal, to be included in the constitutional reform, with some basic guidelines: to increase the number of taxpayers, and to reduce the tax burden in relation to some given sectors. Areas which today pay very little tax will have to contribute more—especially, for instance, concerning bank profits. Tax can perfectly well be created and paid in this area. Besides, a change in tax rates and in the tax payment system in other sectors could be studied. In this manner, by increasing the number of taxpayers, the tax burden on each citizen or company will be reduced.

[Tahan] Are these aspects included in Itamar Franco's transition government?

[Fleury Filho] I would not like to see the oxen pulled by the cart. I understand that by no means should a minimum program to be established by a transition government be monopolized by some one person or by a party. I understand that there are points that must be considered, and which can even be developed toward a minimum program at the right moment. I think it is essential that the progress achieved by the country—and it is undeniable that there was progress in the economic area—in the modernization of its own structure, needs to be preserved. Now, the changes achieved must be consolidated and must move toward new ones. That is the path to follow.

[Tahan] The Democratic Alliance tried once already to govern with a minimum program and failed to obtain the expected results. What will be different now?

[Fleury Filho] At the time of the Democratic Alliance the crisis was not as bad as it is now. The current recession is the worst the country has ever had. Sao Paulo State has the lowest income rate in its history. All this has contributed in forming objective conditions for a minimum program. The crisis itself is the difference. Obviously, to have democratic tranquillity and to hold the 1994 elections under a climate of tranquillity, all parties and people must have a very calm transition period.

[Tahan] What are the chances of Itamar Franco's government being successful?

[Fleury Filho] The chances are good, for one reason: Congress itself will have an important participation, thus becoming a more active representative.

[Tahan] When you talk about a more active participation by Congress, are you admitting the possibility of a parliamentary system?

[Fleury Filho] I have always defended a democratic presidential system, a presidential system with the participation of Congress. And of course I believe that a transition government will choose a presidential system with the active participation of Congress in developing the program, and even in the joint preparation of policies that will lead to a peaceful transition.

[Tahan] Do you believe in a two-year transition government?

[Fleury Filho] I do. It can be achieved by adopting measures that will meet the aspirations of the Brazilian people. The people are increasingly more demanding and are present everywhere. The traumatic and painful experience we are living through today shows the reacquaintance of the people with their values. A transition government will have to identify those values. If it works beyond those values, it will be successful.

[Tahan] And who will comprise the transition government?

[Fleury Filho] Those who are chosen by Vice President Itamar Franco.

[Tahan] Is it important to keep some members of the Collor government? Who? And from the PMDB [Brazilia Democratic Movement Party]?

[Fleury Filho] It is premature to talk about a transition government at this moment. We are going to wait for the definition of the impeachment process against the president.

[Tahan] We cannot preach impeachment without thinking about what will happen afterward. Do you not agree?

[Fleury Filho] It will have to be a government beyond any party, a government of national unity, and one which will include personalities recognized by society as a whole, who will represent that social recognition rather than parties or factions.

[Tahan] Do you believe that all parties are willing to shoulder the burden of an Itamar Franco government? Even the PT [Workers Party] and the PDT [Democratic Labor Party]?

[Fleury Filho] This picture is very clear to me: The burden must be shouldered by all or by no one.

[Tahan] In a transition government, what is the responsibility of Congress and of the governors?

[Fleury Filho] We must all shoulder our share of responsibility. He who does not will be considered by public opinion as one who simply wanted to overthrow the president for the sake of overthrowing him, and who wants to overthrow everyone. Either all parties and people assume their responsibility of giving stability to the country, to help it get through the transition period, or they will appear to be fighting for power and not for the country.

Urges Businessmen, Workers To Rally

PY0209030292 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 1 Sep 92

[Text] Sao Paulo Governor Luiz Antonio Fleury Filho has called on all businessmen and workers to stage a great rally on 11 September for impeachment and for the open vote. The governor wants to accelerate the impeachment process in Congress.

[Begin Fleury Filho recording] I believe that the rallies, added to all the political events in the country, will help accelerate the impeachment process more than expected. I sincerely hope that this process will be accelerated, so as not to jeopardize the economy and the country itself. [end recording]

Congress Urged To Respond To Collor Speech

PY0109210592 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 Aug 92 p 4

[Article by Mara Bergamaschi]

[Text] Brasilia—The deputies and senators who made up the CPI [Congressional Investigating Committee] that heard the PC [Paulo Cesar Farias] case will today suggest to Congress Chairman Senator Mauro Benevides (PMDB-CE) [Brazilian Democratic Movement Party-Ceara State] that he reply to the charges made by President Fernando Collor in his speech delivered on radio and television on 30 August. Collor charged congressmen "with trying to disrupt in 10 days" his administration when "major projects designed to modernize the country" have not been voted on after 300 days.

Senator Mauricio Correa (PDT-DF) (Democratic Workers' Party-Federal District) said: "We have the right to use radio and television to defend ourselves." Correa, who was the CPI vice chairman, believes that through his speech Collor tried to ridicule Congress by hinting that deputies and senators do not work. Correa said: "Collor is well aware that the big amendment was not approved because it needed the support of a three-fifths vote in Congress." He then pointed out: "Planalto Palace did not work with Congress so as to obtain this majority." Correa said that the provocative tone used by the president to refer to Congress only reveals that "he is in complete despair."

The former CPI members are trying to convince Benevides that the evidence included in the report issued by Amir Lando, a PMDB senator from Rondonia, should again be released over a national network. This document can prove the commercial link between PC and the president. Senator Jose Paulo Bisol (PSB-RS) [Brazilian Socialist Party-Rio Grande do Sul] also thinks Congress should refute Collor's statements.

Collor, Farias Exchanged 'Discreet' Messages

PY0209030992 Sao Paulo FOLHA DE SAO PAULO in Portuguese 30 Aug 92 Section 1 p 6

[Article by correspondent Xico Sa]

[Text] President Fernando Collor and businessman Paulo Cesar Farias [PC] exchanged discreet messages at the beginning of the Collorgate crisis. In order not to leave any clues, the messages were always taken by trustworthy individuals such as Federal Deputy Augusto Farias (PSC-AL) [Social Christian Party-Alagoas] and

Captain Dario Cesar Cavalcanti (special presidential advisor), who is responsible for delivering the messages to the president.

As the crisis developed and the accusations mounted, only the common interlocutors such as Bank of Brasil President Lafaiete Coutinho and presidential General Secretary Marcos Coimbra were responsible for conveying orally the messages from one to the other.

It was during moments of greater excitement, such as when the "squad" [esquadrao] was preparing the so-called "Uruguay Operation," that the greatest disagreements occurred, which even led to conflicts between PC and Claudio Vieira (formerly Collor's private secretary) who have been friends for a long time.

Vieira, following Coutinho's advice, reportedly suggested to PC that he agree, for example, to being responsible for the gold sale (the money of the alleged loan in Uruguay) and for transferring the money to the account of Ana Acioli, the secretary who paid the president's expenses.

At this moment the CPI [Congressional Investigating Committee] had strong indications, but had not yet come to the conclusion that the "ghosts" of the PC scheme deposited money into Acioli's account. PC, predicting what might happen, rejected Vieira's proposal and suggested the name of investor Najun Turner to play the role in the "Uruguay Operation" chapter where the alleged gold transactions appear.

According to Collor's allies Turner would be the ideal individual for this case, because he is known in the Brasilia and Sao Paulo gold markets. Turner, in an agreement with Vieira, reportedly accepted signing the declaration, becoming responsible for the deposits in the account of Collor's secretary.

Federal Police Report on Collor 'Malfeasance'

PY0109172292 Sao Paulo FOLHA DE SAO PAULO in Portuguese 29 Aug 92 Section 1 p 5

[Article by Thais Oyama from FOLHA DE SAO PAULO bureau in Brasilia]

[Text] The report that the PF (Federal Police) intend to send to the courts by 1 September will indicate that President Fernando Collor is guilty of passive corruption and malfeasance in office. The report will ask that the section of the PC [Paulo Cesar Farias] inquiry that involves Collor be submitted to the STF (Federal Supreme Court).

Police inspectors and prosecutors involved in drafting the report will not classify the crimes allegedly committed by the president—the proper duty of Attorney General Aristides Junqueira once the report has been submitted to the STF.

The report will make it clear that the police have clues that Collor "sought or received, directly or indirectly, undue gain" (passive corruption) and "delayed or failed to discharge his duties to meet personal interests or sentiments." (malfeasance in office).

The report will be sent to Judge Mario Cesar Ribeiro of the Ninth Federal District who will authorize the submission of the report to the STF who, in turn, sends it to the attorney general. Aristides Junqueira will then decide on charges against Collor.

During this phase, the attorney general must still define who will accompany the president at the STF. He might decide that entrepreneur PC Farias or [former Private Presidential] Secretary Ana Acioli, for example, committed crimes linked to those committed by the president. In this event, both of them would be tried by the STF, forfeiting the right to appeal if they are sentenced. The STF has the final word.

Inspector Paulo Lacerda, who is preparing the PC report, expected to hear yesterday the testimony of former Private Presidential Secretary Claudio Vieira. Vieira's attorney telephoned in the morning, asking for a postponement of the hearing because his client was tired.

Inspector Lacerda has begun to indict the people involved in the PC inquiry. Collor's former secretary, Ana Acioli, was first. The PF has still not received the telephone bills from Collor's office. The request was authorized on 6 August by Judge Mario Ribeiro. Telebras [Brazilian Telecommunications, Inc.] claims that the numbers used by Collor's secretaries are extensions. The enterprise is reportedly having technical difficulties sorting out the calls.

Demonstrations Held Demand Collor Resignation

PY0109215692

[Editorial Report] Sao Paulo FOLHA DE SAO PAULO in Portuguese on 30 August carries on page 8 of section one a 359-word report on several demonstrations held against President Fernando Collor.

The report says that in Fortaleza on 29 August the PSDB, the Brazilian Social Democracy Party, sponsored a march "demanding the impeachment of President Fernando Collor." The report adds that according to the sponsors "some 30,000 persons joined the march."

The report then says that "on the morning of 29 August students and unionists jammed traffic in downtown Jundiai (Sao Paulo) to demand the impeachment of President Fernando Collor. According to the sponsors of the demonstration, 7,000 people took to the streets to demand ethics in politics. According to the Military Police there were 1,200 demonstrators. No incidents were reported."

The report goes on to say that "some 1,000 people" demonstrated in Atibaia (Sao Paulo) on 29 August, and that "today students will demonstrate in Sao Pedro (Sao Paulo)."

Sao Paulo O ESTADO DE SAO PAULO in Portuguese on 31 August carries on page 7 a 120-word report covering a demonstration "in favor of Collor's impeachment" on 30 August in Farroupilha Park, near downtown Porto Alegre, where "hundreds of people, most of them dressed in black, staged several marches under the leadership of students and unionists."

Poll Shows Disapproval of Collor After Report

PY0109220592

[Editorial Report] Sao Paulo FOLHA DE SAO PAULO in Portuguese on 30 August carries on page 1 a 100-word report on "the first Datafolha poll performed in Sao Paulo after the release of the report by the Congressional Investigating Committee" looking into the Paulo Cesar Farias affair. According to the report, the poll revealed that "84 percent of those polled disapproved of Collor (76 percent said he was very bad and 8 percent said he was bad)." The report adds that in an "unprecedented result for this type of poll," fewer than one percent of those polled said that the president's performance was optimum.

CPI Probes Influence Trafficking in Oil Deal

PY0109121492 Rio de Janeiro O GLOBO in Portuguese 21 Aug 92 p 22

[Excerpt] Brasilia—The Senate Congressional Investigating Committee [CPI] that is investigating charges of influence trafficking at the Brazilian Petroleum Corporation [Petrobras] is beginning to unravel a conflict among interested groups within Petrobras concerning intermediation in the sale of oil by-products.

Senator Cid Saboia de Carvalho (Brazilian Democratic Movement Party-Ceara State), the coordinator of the CPI, has said that the investigations show that there are real warring factions within Petrobras. Senator Elcio Alvares (Liberal Front Party, Espirito Santo State), the CPI chairman, is also convinced of the existence of a network of influence trafficking within the company.

The CPI yesterday discovered a new topic for investigation: The purchase of oil from Iran under conditions unfavorable for Petrobras during the administration of Eduardo Teixeira. The matter surfaced during the testimony of Hamilton Sergio Albertazzi, a former commercial superintendent of Petrobras, who is charged with intermediating in some deals involving Petrobras. To defend himself against charges made against him by former commercial director Mauricio Alvarenga, who was his direct supervisor, Albertazzi charged Alvarenga with having turned down a discount of $0.20 per barrel on the 100,000 barrels of oil that were being purchased daily from Iran.

Albertazzi also raised charges against Marcelo Castilho, who replaced him as commercial superintendent. He charged Castilho with having enticed one secretary and four former employees of Interbras [Petrobras International Trade, Inc.] (a Petrobras subsidiary that was closed down early during the Collor administration) to work for Interunion. This company is owned by Artur Falk, who is the representative of Marimpex, the supplier of Iranian oil to Petrobras. He named these employees as Carlos Alberto Tessarolo, Claudio Dereux, Joao Carlos Trigo, and Paulo Sergio Monteiro. [passage omitted]

International Patent, Property Rights Viewed

PY3108230092 Sao Paulo VEJA in Portuguese 19 Aug 92 pp 42-47

[Article by Eliana Simonetti]

[Text] A new anesthetic ointment will reach the drug stores in October. It is called Medicaina, manufactured by Cristalia Laboratories, one of the largest national manufacturers of medicine. To launch this ointment Cristalia did not spend one cruzeiro on research, and did not pay for the formula, developed by the Swedish Astra Laboratory. The right to manufacture this ointment was sold to the U.S. Merrell-Lepetit Laboratory, which will launch its product by the end of the year. To be ahead of them, Cristalia simply copied the formula, developed by the Swedish laboratory after 15 years of research at a cost of $175 million. "We did copy it, and we are going to launch it ahead of everybody else," Ogari de Castro Pacheco said proudly. Castro Pacheco is the director of Cristalia Chemical and Pharmaceutical Products.

According to Brazilian law, Cristalia is not committing any crime. Among the 102 countries in the world manufacturing medicines on an industrial scale, Brazil is one of six which continue to allow chemical formulas developed abroad to be copied at will. Last year 450 national laboratories earned $928 million (approximately 28 percent of the Brazilian medicine market) selling only medicines manufactured from copied formulas. Had they complied with the system of patents and paid for the right to use the chemical formulas, they would have paid some $50 million last year.

The savings at first sight appear to be smart business, but the country loses when the patents are disrespected. This is because when the country disobeys international business rules, it is liable to retaliations. In 1990 the United States suspended its decision to cut imports of Brazilian paper only because the government promised to quickly approve a new law on industrial property rights for the protection of pharmaceutical products. "At the beginning of next year the U.S. Congress will again discuss the boycott, which will only be avoided by developing respect for patents," a U.S. diplomat said. Brazil also loses because the practice keeps away investors in great international laboratories, who do not feel secure in expanding their business where the rights of others are not respected. "It is not possible to convince a company to invest if we already know that piracy will damage the

deals," says Jorge Raimundo, president for Latin America of the British Glaxo Laboratory.

To keep up with the pace of the civilized world—if there is no more confusion concerning the CPI [Congressional Investigating Committee] on PC [Paulo Cesar] Farias—draft law No. 824 must be voted on in the Chamber of Deputies by the end of this month. This law changes the code on industrial property, and includes medicines among the inventions with a right to protection by patent. The project, an initiative of the Collor government and modified in the Chamber of Deputies, protects the inventions not only in the pharmaceutical industry but also in biotechnology, in the fine chemical industry, in the steel industry, and in the food industry. Moreover, it protects the secrets of business. The objective is to give security to the inventors and businessmen who work in Brazil, so as to give more motivation to research and to the development of new technologies.

Mexico has been receiving 80 percent of foreign investments by the U.S. pharmaceutical industry since last year, when its law on patents was implemented. In the case of Brazil, there are those who are only awaiting the establishment of the law to advocate investment, especially when Eco-92 [UN Conference on Environment and Development] established countries' property rights to their genetic banks—the natural varieties that serve as a basis for research. "If Brazil wants to be the owner of its natural products, it must recognize the property of the inventor over his inventions," Gerhard Claassen said. Claassen, vice president of the German company Degussa, is responsible for Labofarma in Brazil. His company intends to develop research with tropical medicinal plants as soon as the new law on patents is approved.

Two other things are added to these losses. The first is the motivation to improve the sluggishness of national laboratories. New medicines are developed almost exclusively in countries where the system of patents is in effect. Among the 6,000 medicines manufactured by Brazilian laboratories, none were developed here. The second is the greatest of all, as it directly affects consumers: because quality control of the products manufactured in Brazil is faulty, indiscriminate copying can generate poor quality medicines.

The patent is a double-action contract: The inventor promises to make public his discovery in exchange for a commercial exploitation monopoly that lasts an average of 20 years. The international acceptance of patents is one of the factors that has most motivated large laboratories in the quest for increasingly more effective medicines, and has expedited the stages that exist between research and sale of a new drug.

Uncomfortable Partnership

Perhaps it is precisely because it gets involved in piracy of formulas—including those in research seeking cures for tropical diseases—that Brazil has always depended on foreign laboratories. All drugs used to fight leishmaniasis, malaria, and other endemic diseases bear the labels of foreign laboratories. Our national industry is not involved in the piracy of these drugs for a very simple reason: It is not profitable.

Brazil has some uncomfortable partners in this disrespect for patents: Argentina, Colombia, the Philippines, Bulgaria, and India. These countries do not have minimum respect for foreign pharmaceutical inventions. No developed country has joined these countries in their preference for plagiarism. In countries where intellectual property rights are respected, companies only copy formulas when their patents have expired. The problem with Brazilian copies is that they cheat original researchers by copying their inventions even before they have recovered their initial investments.

The discussions on broadening the areas protected by patents will begin a new war at Congress, between those who favor a modern approach and the guardians of backwardness. A similar problem exploded during discussions on the market reserve for computers, and more recently over the ports modernization project. The piracy lobby has already started working. "Patents are instruments of industrial policy, not matters for international cooperation," Ennio Candotti, president of the Brazilian Society for the Advancement of Science, SBPC, said, criticizing "the idea that piracy is ugly and underdeveloped." Candotti argues that Brazil must be free to copy the most modern ideas in the world until national companies become so inventive that it becomes interesting for the country to protect its inventions. "Learning how to invent medicines is like learning to write: It is necessary to begin with the essentials in order to be able to produce something original," Dante Alario Junior, president of the Association of National Pharmaceutical Laboratories, Alanac, said.

Life Patents

Theories in favor of piracy are hot at the academies and among certain legislators, because they look nationalistic and combative. In reality, however, it does not work that way, and this is why the practice was abandoned throughout the world. Brazil has been cheating on patents for decades. But this piracy, far from fostering a revolution in creativity, has only helped to anchor our national industry in a swamp of backwardness and squandering. Copies could perhaps be defensible if Brazilian products had guaranteed quality, were much cheaper than the originals, and gave national companies the chance to introduce state of the art technologies into the country. But nothing like that has occurred. Brazilian pharmaceutical laboratories are so disorganized that entrepreneurs fear widespread bankrupcies if a new patents law is approved. There is an argument going on that the government should invest heavily in the pharmaceutical industry and take care of research and development of new drugs. The Brazilian Government invests in research one-tenth of what is spent in this field by a

single large laboratory like the British firm Glaxo ($1.1 billion in investments per year) or the U.S. firm Merck ($1 billion per year).

The bill to broaden inventions protection faces stiff resistance. "Ignorance makes many people protest the bill," Deputy Ney Lopez of the PFL [Liberal Front Party] of Rio Grande do Norte, and a spokesman for the bill, says. The CNBB [National Conference of Brazilian Bishops] is adamant against protecting microorganisms developed by biotechnologies. It maintains that the law would "put a patent on life." This is deceiving. The new law wants to give patents to organisms invented and developed by science. Our natural patrimony is already protected by the international agreement signed during Eco-92.

In addition to the information field, biotechnology—which is considered a strategic instrument for resolving major problems in the areas of health, nutrition, agriculture, and environmental balance—has also been protected from foreign competition. While no patents were recognized in that area, fiscal incentives were granted to enterprises doing research on new organisms. Even so, Brazil did not grow much in that area. Says Antonio Paes de Carvalho, president of the Brazilian Association of Biotechnology Enterprises, Abrabi: "No one invests in research because there is no guaranteed return." Industries will not use sophisticated technology if they do not have the protection of a patent. Yet there are many inventions that are being kept in drawers, waiting for the new law for large-scale implementation. "With modern biotechnology and with the protection of inventions, at the end of the century our sales will be ranging from 6 to 10 billion dollars," Paes de Carvalho said.

Profitable Ideas

Patent protection, which its adversaries regard as an international plot to weaken Brazilian industry, would actually be a protection for Brazilian inventors. Scientists who have profitable ideas go to foreign universities to guarantee a reward for their work. This was done by biologist Flavio Alterthum, of Sao Paulo University. In 1990, at Florida University, he used genetic engineering to develop a microorganism that produces alcohol from the leaves of any type of plant. The invention was patented for Bio Energy Enterprise. Says Alterthum: "If the project is used for industrial purposes, I will earn a percentage of the royalties," adding that "inventors should enjoy this protection." Had he sought for protection in Brazil, he would have failed, because Brazilian law does not provide for patents in the area of biotechnology.

What else can a creative Brazilian do if he has a promising invention in the drawer? He can try to protect his invention at the U.S. Department of Patents. This is the case of Parana biochemist Luiz Fernando Farah, who in 1983 discovered that a film produced by a bacteria in royal jelly—the acectominobacter—could be used for treating serious burns. He created Biofill, an enterprise to produce the film in Parana, registered his invention in the United States, and only then did he obtain a Brazilian patent. His invention could be protected in Brazil only because instead of registering it as a pharmaceutical product, Farah registered it as a collateral product, which belongs to a generic category of undefined inventions. Last year Biofill exports reached $4 million.

No Supervision

Of the pharmaceutical products manufactured in national and foreign laboratories in Brazil, 2,000 are of the newest and most efficient kind, and are still protected by patent laws abroad. The period of protection for other medicines has already expired, and thus they may be copied—and this situation will not change with enforcement of a new law. These medicines are manufactured without any type of supervision, and thus represent a risk for those who need to use them. Joao Baptista Risi, the national secretary for health control, said: "We do not have the structure to do so."

In October 1991 Risi ordered that a pirated medicine, which was a poor copy of a leading anti-inflammatory drug called Voltaren, be recalled. Voltaren has been patented by Ciba-Geigy. The pirated medicine was manufactured by the Fisioquimico Laboratory of Minas Gerais State. Biogalenica, which is the branch of the Ciba-Geigy group in charge of pharmaceuticals, analyzed 14 copies of the product available on the Brazilian market, and concluded that the product manufactured by Fisioquimico was not the only that was defective. Five of these products had variations in the dosage of some substances. Diclofenaco, the imitation product manufactured by Fisioquimico Laboratories, contained 10 times more alcohol in one vial than a human being can tolerate. Armando Bragatelli, medical director of Biogalenica, said: "They were injecting pure alcohol into patients." He added: "We received reports that these pirated products contributed to six deaths in Rio Grande do Sul State." At the request of the Health Ministry, Vitor Flavio Petrillo, a medical biologist from Rio Grande do Sul, experimented with 30 mice to test the effects of the drug. Fifteen mice were killed by the toxic shock caused by the excessive alcohol. Had the pirated product been similar to the original one, no mouse would have died.

The Fisioquimico Laboratory has been in existence for 21 years. It has 35 employees, its sale volume totals 250 million cruzeiros per month, and it is located in Barreiro, one of the most heavily polluted industrial districts of Belo Horizonte. Fisioquimico started to sell Diclofenaco without authorization by the Health Ministry. A total of 15,000 packs of Diclofenaco, with five vials to a pack, were dumped on the market during a period of three months. Now, with the sword of the health control secretary hanging over their heads, Marcal Henrique Soares, director-president of the laboratory, regrets the loss provoked by the recall of the product from the shelves. Soares, whose company imitates 35 products, said: "These products were worth 80 million cruzeiros."

Backdoor laboratories like Fisioquimico are commonplace in Brazil. The number of national companies has rapidly increased since 1971 because of the lack of a law that would protect the ownership of formulas. Even so, the participation of national companies on the market dropped from 35 percent in 1980 to a little more than 28 percent in 1991. Because it did not have an advanced chemical industry, the country was forced to limit itself to mixing foreign-made substances. The national industry, which did not improve qualitatively but which fostered the emergence of hundreds of small laboratories, has also created another problem for Brazilian patients in forcing them to take medicines that were often harmless, but which did not cure anything, either. Morton Scheinberg, director of the Sao Paulo-based Arnaldo Vieira de Carvalho Cancer Institute, said: "Some imitation products are so innocuous that when patients take them it is like taking water and sugar."

Misleading Label

In September 1990, the Swiss laboratory Roche discovered an imitation product that went as far as copying the details of the outside packaging of its antibiotic Bactrim. The imitation product, which was called Trimetropopim and was produced by the Sao Paulo-based laboratory Prodotti, was confiscated by the courts for analysis purposes. Prodotti was charged on two counts. The first one, on unfair competition, was heard at the 28th Civil Court of Sao Paulo; and the second one was a criminal charge because the product did not contain the substances described in the respective label. Prodotti lost the civil lawsuit. No decision has yet been made in the criminal case. Prodotti owner Paulo Macruz said: "We were manufacturing imitation products to increase our sales, but we stopped doing that."

There are 6,000 pharmaceutical products manufactured in Brazil, with 1,200 substances that may be sold in 14,000 different forms. There are 500 laboratories that manufacture medicines, 300 of which are so small that they do not even account for 1 percent of the overall domestic sales. All these laboratories may continue to work normally following approval of the law, because the proposal states that only the patent rights of those products that are still not manufactured in Brazil will be protected. There is no guarantee that things will be much better at the beginning, but at least there will be some additional control mechanisms through the new law. Small manufacturers will be able to buy raw materials and the correct formula from the patent holder, instead of using pirated material under conditions that are not always ideal. The cost for obtaining a manufacturer's license to produce a medicine stands at between 3 and 5 percent of the final price of the product.

The increase in the prices of patented products is a side effect that stems from joining a system of patent protection. Price increases must thus be closely monitored. As the period granted for monopoly lasts only a few years, the respective laboratories have this period to pay for research costs. When the period of protection for a patent expires, competition causes prices to drop and brings the market back to normal. Sometimes the prices set by manufacturers provoke reactions. This is what happened with the British laboratory Wellcome, which owns the AZT patent. Jose Roberto Rodrigues, director for Wellcome in Brazil, said that "the AZT price has already decreased by 30 percent since it was first launched." The decrease, however, was not enough. As the AZT price is still considered to be very high, AIDS patients—who need the medicine to survive—are demanding that the monopoly be ended. In Canada, the courts decided that Wellcome has no right to protection and the laboratory Apotex is already producing a much cheaper imitation product of AZT.

In Brazil, the Microbiologica laboratory is already manufacturing a product similar to AZT. Microbiologica is located on a small lot in Inhauma, a suburb of Rio de Janeiro. The company, which has only 30 employees, buys raw material from European pirates and follows the foreign formula. A pack of 100 Brazilian-made AZT capsules, which will become available this month, will cost nearly $85. An imported pack of AZT cannot be purchased for less than $180. Jaime Rabi, a Chilean professor who owns the Microbiologica laboratory and who teaches at Federal University of Rio de Janeiro, said: "Nonrecognition of patent rights has made it possible for us to produce AZT at lower prices."

The Paths of Copies

There are two methods for copying a pharmaceutical product; one of them is quicker and cheaper. Some firms in the world manufacture raw materials free of patents, and sometimes copy novelties. Most Brazilian laboratories buy raw materials from these suppliers. As only a few countries that do not respect pharmaceutical patents remain in the world, the number of suppliers for Brazilian pirates has been declining.

The other method for copying medicines demands more investment and is little used in Brazil. Instead of buying the product from an international pirate, the national laboratory develops the substance in its own laboratories. The investment here varies according to the substance's complexity, from $1 million to $3 million. After reaching the desired result, which is not always identical to the original, manufaturers usually wait for the firm that owns the product to register it at the Health Ministry. The registration, a requirement for the sale of pharmaceuticals in the country, contains the results of tests and clinical analysis. Laboratories then use the argument of alleged similarity with the original product to do away with the obligation to conduct the tests. "This should not happen," the national secretary of the Health Vigilance Department, responsible for the registration of pharmaceuticals in Brazil, admits.

Examples of copies made this way are abundant. The U.S. laboratory Eli Lilly worked 10 years to develop a molecule—cloridrato de fluoxetina [in Portuguese, as published]—that was used to produce an antidepressant,

Prozac 20. The product is protected by a patent in the United States until the year 2001, and was launched in Brazil in 1989. Last year, following reports that the continuous use of the drug incited the user to commit suicide, the U.S. Government required the firm to include a warning in bold letters in the label. The Sao Paulo laboratory Farmasa introduced the first copy, called Eufor 20, in December last year. It cannot be said that the copy is bad, but there are no guarantees that the product contains the substances in the amounts indicated in the instructions. "We only investigate when we have a report," Secretary Risi explains.

The Price of Health

The pharmaceutical industry produces medicines to fight only 30 percent of all known diseases. Two-thirds of all illnesses attacking mankind do not yet have a remedy. In order to research and develop a new medicine, a large company invests on the average $200 million over a period of 12 years. It took Glaxo 10 years to develop a drug against ulcers—Zantac—which is made of a new substance called ranitidina. The laboratory spent $216 million to invent what is now the greatest success in the world's pharmaceutical market.

In Brazil there are at least five different versions of Zantac: Zylium, Label, Logat, Ulcoren, and Antak (only the last one is produced by Glaxo). "Industrial property protection must exist not so that the country may become modern, but so it can stop being crooked," the Glaxo president for Latin America said. His company has six new molecules in an advanced stage of development to alleviate migraine, anxiety, schizophrenia, memory loss, asthma, infections, and AIDS.

Without Borders

In Brazil people do not give research much value. "Each country should be responsible for paying its own scientists," Newton Silveira, president of the Sao Paulo Association of Industrial Property, said. But pharmaceutical research goes beyond national borders. Glaxo alone employs more than 6,000 scientists from a broad variety of nationalities in five research centers around the world. A return on the investment may come in 10 years—in case of success, as was the case with Zantac—or never.

The patents law is supported by traditional political opponents like Deputies Roberto Campos (PDS-RJ) [Social Democratic Party-Rio de Janeiro] and Liberato Caboclo (PDT-SP) [Democratic Workers' Party-Sao Paulo). Campos supports the patents law for economic reasons. He believes that a patents law will bring new investments. Caboclo supports patents because he believes in the creative capacity of Brazilians. "It is ironic to discover that so many Brazilians think their fellow countrymen are not capable of inventing," Caboclo said. But many Brazilians invent. The U.S. Patents Office alone registered 354 inventions by Brazilians who listed their residence in Brazil as of 1985. Out of this total, 17 are in the area of pharmaceuticals and chemistry.

Chile

Poisoned Grape Case, U.S. Role Examined

PY0109130492 Santiago EL MERCURIO in Spanish 23 Aug 92 pp D16, D17

[Article by Pilar Molina Armas: "The Hour of the Bryan Commission"]

[Text] The private sector launched an offensive this week: The only way to obtain results in the case of the fruit embargo is to take it to the Bryan Commission. That is what the private sector has told public opinion, the foreign minister, and the president. So far the Exporters Association and the Fruit Producers Federation have spent $3 million just to prepare a lawsuit against the U.S. Government and the FDA [Food and Drug Administration]. But this matter seems to be never-ending.

The producers presented an administrative complaint at the FDA before filing a lawsuit with a U.S. court, but the FDA rejected the complaint in August last year. Last February, 123 exporting companies and 2,162 producers filed a lawsuit with the Pennsylvania East District Court demanding $212 million compensation for losses that resulted from the FDA-ordered embargo of Chilean fruits.

Last May the U.S. Government objected to the demand and rejected the court's jurisdiction in the case. In July, Chilean producers answered the petition denying jurisdiction to the court and two weeks ago the U.S. Government withdrew its petition. In answer to the Chilean argument which blames the embargo on mistakes by the FDA laboratory, the U.S. Government said the FDA could have ordered an embargo even without the laboratory analysis that detected the cyanide. This is to say that the FDA had the authority to order an embargo, to protect the population's health, based only on telephone threats reported by the U.S. Embassy in Chile.

"This is a legal recourse to prevent the judge from looking into what happened at the laboratory because what happened there places the U.S. Government in a weak position," David Holzworth said. Holzworth is advising the Fruit Committee—made up of fruit producers and exporters—in their lawsuit filed by the Philadelphia legal firm of Pepper, Hamilton, and Scheetz.

The Facts

Holzworth has been with the case from the very beginning as attorney for the Exporters Association in the United States. On 5 March 1989 he contacted Frank Young, the highest FDA authority. On 4 March the U.S. Customs Service decreed the seizure of all Chilean fruit following a state department wire reporting that the U.S. Embassy in Chile had received an anonymous call saying that Chilean fruit was contaminated with cyanide.

On 6 March Holzworth handed Commissioner Young scientific tests showing the extreme difficulty of injecting cyanide into different types of fruit due to its high volatility. The next day Young's recommendation to lift the seizure order was implemented. On 8 March, Young and Holzworth agreed to implement a rigorous check and a systematic testing of Chilean fruit because on that day the U.S. Embassy received a second anonymous call insisting that the fruit was contaminated with cyanide.

Four days later, on 12 March, three red flame seedless grapes of unusual appearance were found at Philadelphia Port. The three grapes were sent to the FDA laboratory in the city. The laboratory detected 3.1 micrograms of cyanide per grape—an amount insufficient to cause even stomach problems. Parts of the same sample were then sent to the FDA laboratory in Cincinnati, but this laboratory found no cyanide. A verification of the finding in Philadelphia became impossible because the FDA laboratory there...had destroyed the sample.

On the afternoon of 13 March, through a televised communique to the entire country, Young announced a total embargo of Chilean fruit. The measure was revoked on 17 March with the consequences known to the country: A $340 million loss to the government and private producers.

The private sector began the judicial procedures while the government resorted to diplomatic negotiations. This procedure was accepted by the United States.

Precedents

[Molina] When do you expect the lower court to pass a ruling as to whether the lawsuit filed by the Chilean producers and exporters against the FDA and the U.S. Government is admissible?

[Holzworth] The judge must first question the lawyers for both sides, which will probably be completed by the end of September. Then, he may hand down his ruling in about three or six months. But, bearing in mind that he is a Republican who was appointed to the bench by Reagan, Judge Robert Hutton will certainly not hand down his ruling before the 3 November presidential election.

[Molina] Does everything point toward a ruling in favor of the United States?

[Holzworth] I believe that if the judge bases his decision on facts, on what happened, he could rule in favor of the plaintiffs. Yet, if his ruling is basically focused on the legal aspects, the U.S. Government stands a better chance of winning. We will be in a better position to evaluate the judge's outlook after we see how he questions the lawyers.

[Molina] Do you know of other cases in which a judge ruled against the U.S. Government?

[Holzworth] Yes. There are two very important cases in which events similar to what happened at the FDA with the Chilean fruit occurred in government laboratories. In the Berkovitz case, a child died because of a laboratory failure to detect that a batch of anti-polio vaccine was contaminated. In the Andrulonis case, a supervisor was infected with rabies. In these two cases, the court ruled against the government and ordered it to pay a compensation to the victims.

[Molina] Yet, in these two cases the plaintiffs are U.S. citizens. In the Chilean fruit case, the plaintiffs are foreigners.

[Holzworth] I do not think that the fact that the plaintiffs are foreigners will make any difference. What the judge should be concerned about is the policy of action followed by government agencies. If he rules against Chile, he will be conveying that the FDA, as a government agency, is authorized to do anything it may deem appropriate to protect public health.

The Chilean case is unusual and is something new in the United States. There is practically no precedent of a foreign private group suing the U.S. Government.

The Bryan Commission, Now

When Presidents Bush and Aylwin met in Chile, the U.S. President recommended that his Chilean counterpart take the case to the courts. According to Holzworth, for diplomatic reasons, he was trying to deflate and to delay the case because he knew that a predictable answer from the Justice Department—which represents the U.S. Government in court—would be that the courts have no jurisdiction in the case.

And that is what happened. The United States objected to the lawsuit and an outcome on this objection could take three or four more years. Once the lower court issues a ruling in four or six months, the matter will reach the Supreme Court through appeals. If the Chileans win at the Supreme Court, it would mean that the lawsuit per se may start then, and that it may take a similar number of years.

[Molina] If the lower court ruled in favor of Chile within six months, would you be in favor of dropping out of the court jurisdiction and taking the case to the Bryan Commission?

[Holzworth] To take this step we must first go to court, but only if there is no clear stumbling block to obtaining justice—which appears to exist in this case. Besides, in that situation, the United States would have an incentive to turn to the Bryan Commission because, having confirmed that there is a judge who does not share its position, it would be much more embarrassing and costly for it to engage in investigative proceedings. It would be to Chile's advantage to go to the Bryan Commission because even if the judge ruled that the U.S. Government may be sued, it would still be cheaper and more expeditious to settle the dispute before the commission rather than in a court of law.

Yet, if the judge rules that he has no jurisdiction to hear the case—which would be in keeping with the U.S. allegation—Chile would have the option of appealing for three or four more years, or of taking the case immediately before the Bryan Commission. This would be a political decision that rests with the Chilean Government.

[Molina] It also rests with the U.S. Government, which could refuse to go the Commission.

[Holzworth] If Bush told Aylwin to take the matter to court, and if this court declares that it is not competent to settle the dispute through legal mechanisms, it would thus appear that the U.S. Government will be in a position in which it would logically have to agree to the Bryan Commission mechanism.

[Molina] Not necessarily—as long as the U.S. Government continues to contend that the FDA acted in accordance with the information at hand at that time, and this information is not consistent with that obtained by the Chilean plaintiffs through scientific studies conducted later over an extensive period of time.

[Holzworth] Let me remind you that nothing can force the U.S. Government to go to the Bryan Commission. Even if there were no arguments against the facts, the government may say no. The Chilean regime did not have to submit the Letelier case, but it did.

[Molina] Do you think Chile will be in a position to exert pressure when it is simultaneously trying to reach a free trade agreement with the United States?

[Holzworth] A trade agreement entails negotiating on a wide range of subjects and the problems provoked by the fruit embargo is obviously a point of negotiation.

[Molina] U.S. senators and State Department officials have said that a de facto reparation is taking place in light of the increased purchases of Chilean fruits.

[Holzworth] Aside from any other question, Chilean-U.S. trade relations were bound to improve as soon as the United States recognized that a democratic government had been established in Chile. I do not know of any specific trade concession made by the United States in connection with the problems provoked by the poisoned grapes incident. I have not seen anything that would not have happened anyway.

Diplomatic Negotiations

[Molina] The Chilean Government is negotiating the case through diplomatic channels. Is it possible to obtain any type of compensation through these channels now that the U.S. Government has stated that it will not pay any damages ordered by the courts?

[Holzworth] I believe it is fair to say that you will never see any compensation tied to the fruit embargo obtained through diplomatic channels. There could be a negotiation—on condition the lawsuit is dropped—but, judging from public statements, it appears that the two issues will never be tied together because the U.S. Government will never concede any wrongdoing in the fruit embargo ordered by its officials.

[Molina] Thus, it would be best to submit the issue to the Bryan Commission without further delay.

[Holzworth] I cannot say if it is good or bad to conduct diplomatic negotiations. The fact is that one will never know what happened in such negotiations, while if the matter is taken to the Bryan Commission, it will investigate and resolve the matter, and everyone will know exactly what happened.

[Molina] Do you believe the United States will eventually pay?

[Holzworth] Compensation will be paid if the Bryan Commission is formed and if its investigations show that errors were committed at the FDA laboratories. Now, questions as to how much, when, and how will only be answered in the future.

[Molina] If the Chilean Government decides not to go to the Bryan Commission and the United States never pays any compensation through the courts, would this not be like giving a blank check to terrorists who may want to boycott any exporting economy?

[Holzworth] I do not think so. One of the stiffest sanctions has already been handed out. The FDA was severely criticized both publicly—through the press—and privately, within the government itself, by people who feel that it had acted inadequately. There has been sufficient criticism for something like this never to happen again.

[Molina] Why has the United States not solved the impasse by making at least a token payment?

[Holzworth] If it did so, the United States would be admitting that a mistake was made. Furthermore, it could not make any payment in light of its delicate financial situation.

Correction to Judge Probe of Phone Tapping

PY3108140892

The following correction pertains to the item headlined "Judge To Probe Senator's Phone Tapping," published in the 31 August Latin America DAILY REPORT, page 45:

Column one, paragraph six, only sentence, make read: ...that Ricardo Claro [Chilean businessman, main stockholder and chairman of the board of Megavision, the private TV channel that aired Senator Pinera's telephone conversation] gave the judge... (changing editorial notation)

Colombia

Gaviria on 'The President Responds' Program

PA0109220692 Santa Fe de Bogota Radio and Television Networks in Spanish 0000 GMT 1 Sep 92

[Interview with President Cesar Gaviria for "The President Responds" program with Juan Gossain, moderator; by Colombian reporters Maria Elvira Samper, Yamit Amat, Enrique Santos Calderon, and Dario Arizmendi; Spencer Reiss, NEWSWEEK reporter in New York; and Edgardo Castro, Venevision Television reporter in Caracas—live]

[Excerpts] [Gossain] Our program today, not only here but abroad, is live. I ask only one thing from my colleagues, please make your questions brief and respectful. Mr. President, respond briefly, as there are many issues to be discussed and we hope they can all be included in the program. [passage omitted]

[Samper] Mr. President, Colombia has tested two strategies to combat drug trafficking. One was the military strategy undertaken by President Virgilio Barco, which only resulted in a string of deaths. The other was the judicial strategy of surrendering to justice implemented by your government that has been a failure for many. The most dangerous drug trafficking capo has escaped from jail and drug trafficking continues to grow. What are the possibilities of an economic strategy—the legalization of drugs, for example?

[Gaviria] I would have to start by saying that I believe the strategy of strengthening justice and surrendering to justice has not failed. This is a strategy that the nation should not allow to fail, much less after the Constituent Assembly eliminated extradition in Colombia. We are under the obligation to continue with the policy of strengthening our justice system, which has good and inspiring elements and some weak elements. This is particularly true with reference to our penitentiary system and the guarding of our prisoners—here our weaknesses have obviously been demonstrated. The government—despite the enormous set back that Escobar's escape represents—believes in the strengthening of justice, it believes in the policy of surrendering to justice, and is convinced the nation will continue with this policy.

Regarding the legalization of drugs, I would like to point out that this is not an option in Colombia. The issue of legalization must be resolved by the developed nations. This is an issue for nations where there is drug abuse, it is the issue of removing punishment for the use of drugs. Nevertheless, it does not occur to anyone to legalize the drug-trafficking gangs or to legalize drug trafficking. This is a debate in which we could possibly have an opinion but, unfortunately our opinion does not prevail. The legalization of drugs is very important in nations where there is drug abuse. For the time being, we have a commitment to the international community and to ourselves because drug trafficking, and particularly, narcoterrorism has become a dangerous threat to our democracy.

[Samper] Mr. President, how much did you know about La Catedral jail and what did you do to avoid this?

[Gaviria] The Colombian president was very hurt, he felt very frustrated by Pablo Escobar's escape, particularly due to the number of orders and decisions that were issued that day which, unfortunately, resulted in Escobar's escape. These were not appropriate, they were not implemented in a fashion that would have led to Escobar's continuation in the hands of Colombian justice. The president felt outraged when he learned of the luxuries inside the jail at Envigado. This caused profound indignation because this was never the government's intention. Decisions were made at the jail and by the administration of penitentiaries that were reported on time by the Attorney General, so this should never have occurred. Unfortunately, the phenomena of corruption and intimidation played an important role in this situation. This situation embarrasses the president of the Republic and has caused him a great deal of concern, as it has to all Colombians. Colombians can rest assured that the president of the Republic had no idea, at the time of Pablo Escobar's escape, that he was living in what could be labeled, in Colombia, as near luxury.

Regarding the security at the jail, the president and the government were aware that it was still a relatively unsafe jail, not totally unsafe, relatively unsafe. Nevertheless, the military cordon implemented made it a bit more secure than the rest of the jails in Colombia. Some decisions were made, these decisions were not sufficient. Obviously, they were too late, obviously problems presumably came up and certain priorities were not quickly resolved. In light of these incidents, of course, what is called for is the assumption of political responsibility. [passage omitted]

[Amat] Mr. President, reading the Envigado prison's lease contract and the circumstances surrounding Pablo Escobar's escape, one reaches the conclusion that Pablo Escobar was more prepared to surrender than the government was to prevent his escape. You accused a general, two colonels, and some guards. How much responsibility do you have in Escobar's escape? If you do not have any responsibility, how much responsibility did your justice minister have, and if he did not have any responsibility, how much responsibility did your defense minister have, or did everything end up in the hands of the guards?

[Gaviria] We have political responsibility, which we cannot elude. The defense minister stated clearly that the president and the ministers are politically responsible for what occurred. I want to be frank with the Colombians. The policy of surrendering to justice and in this specific case, the surrender of Pablo Escobar, the Ochoa brothers, and the main members of the Medellion Cartel, involved great risks. The president of the Republic was

aware it involved risks. It involved risks because of the guarantees agreed upon for the personal safety of these people. Throughout this long year, the media and most Colombians were more concerned that we would let Escobar be killed. I remember the controversy about the overflights over Envigado. We were not so concerned about an escape. Decisions were made to build a secure prison in Envigado, but due to the government bureaucracy and budget allocations, those decisions were delayed and Escobar finally escaped. The decisions that were made regarding the prison's security were insufficient. Perhaps there was not a clear definition of the priorities. Without a doubt, both the president and his ministers have political responsibility for what occurred.

[Amat] President, many people have reached the conclusion that the only way Pablo Escobar could be securely imprisoned would be for the DEA to kidnap him. Do you think this is possible and if it were to occur, what would happen?

[Gaviria] No, we have received sufficient guarantees from the U.S. Government, public guarantees that were given in the wake of a recent U.S. Supreme Court ruling validating, authorizing, or legalizing that type of operation. We have received sufficient guarantees that such a thing will not occur and that Colombia's sovereignty will be respected. The Colombian president believes the word of the United States and its government and he rules out that this will occur.

[Amat] What happens if they attempt to do this?

[Gaviria] No, I do not think they will make this attempt. I think they will respect our sovereignty.

[Gossain] Thank you Yamit, Mr. President. We will continue with Enrique Santos and Dario Arizmendi in a few minutes, but now we have New York ready with our guest there, journalist Spencer Reiss:

[Reiss in English with simultaneous translation into Spanish] Mr. President, in the current U.S. election campaign, the topic of drugs is no longer being mentioned. Do you think this is good or bad for Colombia?

[Gaviria] I think it is bad for Colombia. It makes us feel that the world is abandoning us in the area of drug trafficking and that the world is not taking the topic of drug trafficking seriously. The United States is the industrialized country that has taken this topic most seriously and has invested the greatest amount of resources to face the problem through the interdiction of drugs and from the viewpoint of the demand for drugs. I want to take this opportunity to call, not only on the United States, but on the other industrialized countries, to make greater efforts to confront drug trafficking, drug consumption, arms trafficking, and the related topics of money laundering and trafficking with precursor chemicals. The drug-trafficking problem cannot be solved just by the United States and a few Latin American countries, particularly Colombia, which has made the greatest effort to confront the drug-trafficking problem. It has made the greatest sacrifices, has lost the greatest number of lives, and has really been at the battle front in this struggle.

[Gossain] Excuse me, Mr. President. Spencer, do you want to ask the president another question after you have heard his reply?

[Reiss in English with simultaneous translation into Spanish] Yes, have you had any indication from the U.S. Embassy that the new Democratic administration will be more realistic regarding drug-trafficking problems in Colombia?

[Gaviria] No. We would understand each other. The Colombian Government hopes to work with the new U.S. Government, whether it be Republican or Democratic. It is apparent we will continue to be important allies in the struggle against drug trafficking. Colombia is by far the most important country in the strategy of the struggle against drug trafficking and we hope to cooperate closely with any new administration, whether it be Republican or Democratic. We would always like to see greater efforts in the field of the demand for drugs, education, and as I mentioned earlier, in the other areas, such as money laundering and trafficking with precursor chemicals. We would like to see the United States and other industrialized countries working on this.

[Gossain] We now go to Enrique Santos and his question. Go ahead, Enrique.

[Santos] Despite overconfident remarks by certain military commanders, the guerrillas look increasingly powerful, economically and militarily.

During the first two years of your administration, there were more kidnappings than in the 1980's. Groups taking justice into their own hands continue to carry out massacres. Homicide figures keep increasing. EPL [Popular Liberation Army] rebels who sought protection under the amnesty law are being eliminated systematically. In view of this reality, what is the status of the national strategy against violence launched by your administration two years ago? Wasn't it merely a series of good intentions?

[Gaviria] That strategy is still in full effect. Its objectives are completely valid. The government feels that these strategies are correct. They are strategies based on investing more in security, strengthening justice, working with regional authorities, and getting greater support from the citizens. Undoubtedly, these strategies will be prevalent in Colombian life over the next few years and decades.

This government has made a great effort with regard to security. Last year we allocated resources from the so-called or wrongfully called war tax of approximately 60 billion pesos. These funds were used to create mobile brigades, to create Get Together Groups [Grupos Unase], to protect installations and improve the state's defensive capacity.

It is evident that this year we have not had the type of indiscriminate terrorist waves we had twice last year. I think this is mostly because of more government investment in security. There has been a drop in kidnappings in the country this year. We are convinced that the figures are still too high and that we must work harder. To a great extent, this depends on our ability to strengthen our justice and, no doubt, on the way in which the country's Attorney General's Office has begun to work. What we see is very stimulating and we hope that we will be successful. The country will continue with its strategy to invest more in security. It is a policy that will wind up producing good results.

The guerrilla problem is not our only problem. We have very serious problems with common crime. We must continue to focus our attention on these problems and maintain our decision to preserve these policies.

[Santos] Your government has emphatically rejected regional talks with the guerrillas. However, they seem to be taking place, in fact, even with the support of local leaders. In regional fora held in Ibague, Valledupar, and Bucaramanga, guerrilla proposals have been heard and discussed. What is your opinion of this?

[Gaviria] The government has not approved regional talks and will not approve them because it feels that the conditions to hold them are not present. Why? Because regional talks—the way guerrillas want them—can only be understood within the framework of agreements on peace and the guerrillas demobilization. Only then would it be worth while for the guerrillas to hold talks with departmental civilian authorities. These talks would serve to discuss ways to solve certain regional problems.

Regional talks are simply viewed as a way for governors, mayors, and regional authorities to report their actions to the guerrillas or make commitments to them to carry out public works. The national government cannot sponsor this kind of dialogue.

Holding peace fora in the regions would be a different story. These fora would include civilians, the authorities, and the national government. The government promotes this kind of fora. It feels that they are advisable and, of course, they can serve to solve regional conflicts.

But I would regret it if guerrilla problems, petitions, and wishes were solved in these fora. I believe that society should make no concessions or find answers for the guerrillas unless they show, seriously and clearly, that they are willing to be demobilized and join civilian life. [passage omitted]

[Gossain] Mr. President and viewers, we have already received international calls from Madrid and New York. Here is our third contact from abroad: Edgardo de Castro, from Venevision's "Impact" program, reports from Caracas, Venezuela. Go ahead, Edgardo, we are listening, and we can see you, too.

[De Castro] Thank you. Greetings from our colleagues who are with us during this live transmission from the Venevision studios in Caracas. It is now 0837 here.

Mr. President, I would like to change the topic a little to one you just mentioned: the Group of Three, comprised of Venezuela, Mexico, and Colombia. Newspapers recently reported that there have been some difficulties in integrating the group. Apparently Mexico... [pauses] problems have emerged that could prevent the signing of a free trade agreement in December as we hoped. I would like to know if you are aware of this situation, Mr. President, and at the same time if there is any way in which you could contribute to making a reality this project involving the three countries.

[Gaviria] I feel that the most important economic step our country has taken in many years is not only the process of opening and making our economy more international, but our integration with Venezuela. This economic integration has opened enormous opportunities, not only for Colombia, but also for Venezuela. It will contribute greatly to our economic growth in the next few years, and I am convinced that the same thing will happen in Venezuela. We intend to sign a free trade agreement this year with Mexican President Salinas de Gortari and Venezuelan President Carlos Andres Perez, as agreed a few weeks ago in Maiquetia. Fortunately, problems that existed within the Andean Pact Group have been overcome. In addition, effective 30 September, Ecuador will be totally open to all Colombian products, without exception. In the same manner, the Colombian market will be open to Ecuadoran products. Beginning next year, the same thing will happen between Venezuela and Ecuador, also Bolivia.

We hope to sign a free trade agreement with Chile before the end of the year. We will be making a reality the creation of a wide free trade zone that will include all of Latin America, and possibly the United States. This economic and commercial policy will make the liberator, Simon Bolivar's, dream come true: All countries on the American Continent united by commercial ties in the same manner that Colombians and Venezuelans are united by cultural and friendly ties. There is no difference whatsoever that could change this economic and political fact.

[Gossain] We will see if there are any more questions from De Castro in Caracas.

[De Castro] I would like to ask President Gaviria if he is satisfied with the talks currently taking place for the demarcation of territorial waters and with the work of the commissions that have been created. Does he agree with a new Colombian proposal to postpone the solution of this conflict for a specific period in order to create the necessary climate for negotiations? The Venezuelan people would like to hear the Colombian president's opinion.

[Gaviria] The Colombian president is satisfied with the work carried out by its negotiating commission. The

Colombian Government, not only the president, but all political forces, believe in direct negotiations with Venezuela. We are convinced that direct negotiations will result in an agreement on a subject that, although important for both countries, surely becomes secondary in view of the opportunities offered by Colombian-Venezuelan integration. We are confident we can find a solution to the border dispute through direct negotiations. [passage omitted]

[Arizmendi] Mr. President, a 23-year-old man from the national university asks: Within the framework of the Colombian and U.S. Government cooperation programs for the struggle against drug trafficking, such as the authorization for planes to conduct intelligence missions, are those planes being used or might they be used in the future to fight against subversion or the narcoguerrilla groups?

[Gaviria] No, the cooperation we are receiving from the U.S. Government and that which we are willing to receive from other friendly countries is being used exclusively for the struggle against drug trafficking in Colombia, specifically in the search for Pablo Escobar. In no way is it being used in the struggle against the guerrillas. The latter struggle is the exclusive responsibility of the Colombian authorities. It is a struggle that is being waged solely with government resources and in no way are U.S. or foreign resources being used.

[Arizmendi] Mr. President, if everyone is looking for Pablo Escobar, why hasn't anyone captured him? When he escapes, no one can find him.

[Gaviria] It is true this is a difficult task. He has enormous economic resources. It is said he has billions of dollars and this obviously surpasses the resources of any Colombian businessman. It is a huge fortune at the world level. He has an immense capacity to corrupt. Throughout many years, he has created an extensive network and hiding mechanisms. Nevertheless, I am honestly convinced that today we are much better prepared to search for Escobar than we were one or two years ago. Our intelligence forces have more equipment and we are getting more international cooperation. I am sure that our Armed Forces and security forces will get results in this area.

[Gossain] Thank you, Mr. President. You have been very kind in accepting this challenge, this live interview. Thank you fellow journalists of Colombia and abroad. Most of all, thank you television viewers, who have been with us for one hour to hear the president's answers. There are many other topics to address. We hope this has helped the people hear the answers they had sought from their leaders at a time when there are so many problems and questions. Thank you and good night.

Gaviria on Decline in Polls, Future Hopes

PA0209010392 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1630 GMT 1 Sep 92

[Interview with President Cesar Gaviria by reporter Guillermo Gonzalez at the Narino Palace in Santa Fe de Bogota—live]

[Text] [Gonzalez] This is the "National Newscast" live with President Cesar Gaviria in his office. Mr. President: Last night before the nation you assumed political responsibility for Pablo Escobar's escape. What does this mean for the nation?

[Gaviria] The president of the Republic cannot avoid the possibility that responsibility may fall on him for the incidents that led to Pablo Escobar's escape. He cannot avoid responsibility for that incident or for any incident that is related to any government policy. The president of the Republic must respond to this as he responded to the electricity rationing; he assumed his share of responsibility. The president of the Republic must take responsibility for economic policy, he must take responsibility for problems of public order and, although my conscious is clear regarding the decisions I made, it is very clear to me that I must respond to the nation, to reporters, to Congress, to all Colombia, for any error that the president, or any of his assistants, may have made.

[Gonzalez] Mr. President: Recent polls indicate that your popularity has declined substantially. Does this concern you? Why has this happened?

[Gaviria] This certainly is a matter of concern for the president of the Republic. Throughout this year we have experienced a series of unfortunate incidents having to do with electricity rationing and Escobar's escape. These are very unfortunate incidents. But the president of the Republic feels assured in governing. He is certain that the next two years will be full of accomplishments, that we are going to work on social change, that we are going to work on the Constitution, that the nation is better off now than it was two years ago, and that in two years it will be better off than it is today. I want to count on the people's solidarity. Despite the criticism, nonconformity, and apathy that come up, the president of the Republic is quite optimistic regarding the nation's future.

Intelligence Reveals New Guerrilla Strategy

PA0209040292 Santa Fe de Bogota EL TIEMPO in Spanish 27 Aug 92 p 8B

[Text] According to a report prepared by internal security agencies, the strategies used by the FARC [Revolutionary Armed Forces of Colombia] and the ELN [Army of National Liberation] consist of spreading out their forces in order to multiply their sphere of activity.

With respect to the FARC, the document points out that in addition to the 20th and 41st Fronts, which have been

conducting routine operations, new fronts such as the 19th, 33d, and 24th, have now begun to operate.

Intelligence services estimate that the insurgent forces amount to approximately 1,020 men, distributed in five FARC fronts, three of the ELN, and one from the Popular Liberation Army.

Intelligence agencies have also revealed that in the past year guerrilla groups operating in the region have acquired modern and sophisticated weapons. The report points out that the FARC Cacique Ulpar 41st Front is now using M72 rocket launchers, Thompson submachine guns, M14's, and mini-14 rifles.

Terrorist Explosion Claims 10 Lives, Homes

PA0109130492 Santa Fe de Bogota Cadena Radial Super in Spanish 1200 GMT 1 Sep 92

[Text] Medellin—Police, Army, Administrative Department of Security, and Directorate of Judicial Police and Investigations intelligence services are conducting a veritable combing operation in search of terrorists who detonated a dynamite charge on the morning of 1 September, killing 10 persons, injuring others, and causing material losses estimated at over 100 million pesos.

Authorities are looking for a white Renault with no license plate that was used by the five members of the terrorist band. Approximately 10 homes located in the section of 73d Avenue and East 103 Street, Benalcazar neighborhood, were heavily damaged by the explosion.

Ecuador

Foreign Minister Outlines Foreign Policy

PA3108222592 Madrid EFE in Spanish 1733 GMT 31 Aug 92

[Text] Quito, 31 Aug (EFE)—The new Ecuadoran Government will implement a "direct, practical, and totally open" foreign policy "toward friendly countries," Foreign Minister Diego Paredes said in a statement published on 31 August by the Quito daily EL COMERCIO.

Paredes said that commercial aspects will be given priority in order to overcome the country's economic crisis. He added that the defense of democracy and human rights will also be main points in foreign policy.

Paredes said: "We want to be practical in defending economic relations."

He added that talks have begun with Colombia to sign a bilateral free trade agreement, and it is hoped talks will soon begin with Mexico and Chile.

Paredes said the dialogue with Peru on the 100-year-old territorial dispute between the two countries will continue.

Peruvian President Alberto Fujimori is expected to make a private visit to Ecuador in September.

Paredes said Ecuador will give "all its support" to the Andean Pact and the creation of an Andean free trade zone, "as long as the agreement offers opportunities for free trade and integration with international projections."

Paredes said he favors intensifying relations with Pacific Basin nations, including Australia and New Zealand.

Paraguay

New Colorado Party Executive Board Installed

PY2708010192 Asuncion ABC COLOR in Spanish 20 Aug 92 p 4

[Excerpts] Yesterday Blas N. Riquelme was proclaimed as the new president of the Colorado Party during a ceremony in which President Andres Rodriguez also participated. The party's new executive board was installed, and the final results of the recent elections were read. The executive board members that belong to the Traditionalist Autonomous faction walked out of the ceremony as soon as [former party president] Juan Ramon Chaves concluded his address and before Riquelme began his. The new Colorado Party president promised to govern in a manner to achieve the party's unity and to promote the victory of the party in 1993.

The ceremony was held in the honor patio of the party's headquarters, and President Andres Rodriguez, members of the executive branch, congressmen, and high-ranking party members participated in the ceremony. [passage omitted]

When the Traditionalist Autonomous faction of the Colorado Party left the ceremony en masse when the new party authorities were installed, Carlos Romero Pereira, party presidential candidate for this faction of the party, said that "we are withdrawing in order to restore the honor of the Colorado people who were bilked in their voting desires, because many fellow members were excluded from the voting lists."

Romero Pereira indicated that the withdrawal of his faction was to protest the irregularities in the voting lists, "and so as not to accept this conclusion and the address given by Riquelme." [passage omitted]

Members Announce Candidacy

PY2908165792

[Editorial Report] Asuncion NOTICIAS in Spanish on 29 August on pages 2, 3 gives extensive coverage to announcements by Colorado Party presidential hopefuls who are seeking the party's nomination at the upcoming primaries for the 1993 presidential election.

The newspaper carries on page 2 a 300-word report on a ceremony in which Luis Maria Argana officially

announced his candidacy for the Autonomous Traditionalist faction. The ceremony was held at Argana's new campaign command post located on Espana Avenue and Padre Pucheu Street.

On page 3, NOTICIAS also carries a 300-word report on a ceremony held the evening of 28 August at the Colorado headquarters in Asuncion where Juan Carlos Wasmosy, a businessman and former integration minister, announced that he is seeking the Colorado presidential nomination. The report says that Wasmosy's nomination was endorsed initially by the Colorado Peasant Coordinating Board faction, which placed third in the recent Colorado election. It adds that the United Traditionalism faction, led by new party Chairman Blas N. Riquelme and which placed first at the recent election, also has endorsed Wasmosy.

Also on page 3, NOTICIAS carries a 200-word report noting that thus far six party members have announced that they will seek the party's nomination. They are: Luis Maria Argana, Juan Carlos Wasmosy, Enrique Riera, Leandro Prieto Yegros, General Carlos Jorge Fretes Davalos, and Senate President Gustavo Diaz de Vivar. The report adds that the Colorado Party convention, scheduled to be held 11 September, will organize an electoral board to supervise the Colorado primaries. It is believed that the Colorado primaries will be held in September or October.

Peru

Decree Clarifies CCD Election Requirements

PA0209002892 Lima Radio Programas del Peru Network in Spanish 1800 GMT 1 Sep 92

[Text] Political parties and movements must necessarily present 100,000 signatures to participate in the Democratic Constituent Congress [CCD] elections. Only alliances among parties duly recognized by the National Election Board are exempted from the requirement of the 100,000 signatures.

Through Decree Law No. 25701, the government on 1 September clarified that the parties and movements that participate individually in the CCD elections are obliged to present the 100,000 signatures.

The independent groups or movements which participated in the last general election can only participate in the CCD if they obtain their respective registrations. The government considers valid for the CCD elections the registration of parties which were registered up to 22 August and which obtained 5 percent of the votes in the last general elections. [sentence as heard]

The government's clarifications are contained in Decree Law No. 25701 published in EL PERUANO on 1 September.

Government Enacts Tax Accord With U.S.

PY2808140292 Lima EL PERUANO in Spanish 18 Aug 92 p 1

[Text] An act approving the agreement on the exchange of tax information was signed by the Peruvian and U. S. Governments on 15 February 1990 [as published] in Cartagena, Colombia. Details of the agreement will be published today. The agreement seeks to ensure accurate tax assessment and collection, to stem tax evasion and fraud, and to establish better sources of information for tax purposes.

Decree-Law 25665 comprises eight articles. It establishes that the authorities appointed to that effect shall exchange information in order to enforce their respective laws. Information will also be shared on tax collection and filing, the collection and implementation of tax credits, and investigations and punishment of infringements of public administration regulations.

The agreement will be enacted after the exchange of notes between the signatory countries' representatives, pursuant to Article 7 of the said agreement.

* Paramilitary Group Declares War on Terrorists

92SM0561A Lima SI in Spanish 27 Jul 92 p 16

[Unattributed report: "President Fujimori's Rodrigo Franco Commando"]

[Text] On Monday night, four individuals in civilian clothes made an attack on the life of attorney Jorge Cartagena, Osman Morote's lawyer, who does not conceal his sympathies for Shining Path [SL].

The attackers went to his law office in the tenth block of Lampa Street, in Lima, and fired at him. Cartagena was later taken by other colleagues and a policeman to the Maison de Sante clinic, where he is recovering from his injuries.

The next day, a mysterious pamphlet without any signature issued threats against the friends and relatives of Shining Path militants, announcing that the reprisals against them had begun with the personal attack on Cartagena.

A military source revealed to SI that there is an operational commando group in the armed institutions devoted to eliminating presumed Shining Path members. Thus, the history of the sinister Rodrigo Franco Commando group is beginning to be repeated in Alberto Fujimori's government.

The same source noted that this same operational group is planning an attack against one of the news media. SI will most likely provide more specifics in its next edition.

It is the responsibility of the Army chief of staff, General Jose Valdivia, among others, to deactivate the terrorist organization reportedly being hatched in his branch of service.

The following are death threats against relatives of Shining Path members. Cartagena is the beginning, announces the pamphlet of the clandestine commando group.

[Box, p 16]

Long Live the Defense of the Organized People!

War Against Shining Path!

The Peruvian people are constantly being subjected to aggression by a war declared by the defenders of an obsolete, outworn, decadent system such as Shining Path is. The latest incidents have proven that the criminal supporters of the terrorist Abimael Guzman Reynoso have no respect for men, women, or children, nor for the aged or social classes. They are only interested in making news and appearing on the front pages of newspapers, even if, in order to do so, they must create a macabre bloodbath involving innocent, defenseless people.

Cowardly terrorist! You who do not show your face, hiding behind the treacherous skirts of a putrefied, outdated party, dissociated from the Peruvian reality; your hours are numbered, because on the 22d and 23rd we shall be prepared to confront you.

Starting today, we go on the offensive: A thousand eyes will be watching you, and a single slash will cut your throat. That is how we shall begin our battle. You will die for obeying murderous orders from commands that you do not even know, because to them you are only a replaceable part of the mechanism of a machinery created purposely by Abimael and his leaders to become rich by extorting the Peruvian people.

We also know who is supporting or acting on behalf of the Shining Path terrorists. We have focused our sights on them and their relatives. Through every attack or death on the 22d and 23rd, they will learn how to experience, as we have, the pain represented by the loss of one of their loved ones. As an example, and so that they will not think that we are joking, we have already begun with Cartagena.

Down with the armed strike of the 22d and 23d!
Death to the Shining Path terrorists!
Down with the democratic lawyers!
Lead for Popular Assistance!
Until we find the genocidal coward, Abimael Guzman!
Let's eliminate the People's War!
For a better Peru for our children!
Death penalty for terrorists!
They cannot conquer us!

* Foreign Minister's Policy 'Mistakes' Reviewed

92SM0561C Lima EXPRESO (Sunday Supplement) in Spanish 19 Jul 92 p 4

[Unattributed report: "Rudderless Foreign Ministry"]

[Text] The mistakes of the president of the Council of Ministers, Oscar de la Puente Raygada, are not limited to his controversial performance in that office. He is now said to be accumulating errors as head of the Ministry of Foreign Relations as well. Sources close to the Foreign Ministry claim that De la Puente spends most of his time on the premises of the President of the Council of Ministers Office and that he does not even read the cables sent by Peru's diplomatic missions abroad. As a result of this conduct, the country's foreign relations, precarious since the breach of the Constitution, have worsened significantly.

The Case of Ecuador

Yesterday, Foreign Minister De la Puente traveled to Madrid to prepare for President Alberto Fujimori's arrival at the Second Ibero-American Summit, which will be held on 23 and 24 July. The trip would have had no more significance than that of a protocol event, similar to others of its kind, if it were not for the fact that, at that meeting, Fujimori will be meeting with his Ecuadorian counterpart, Rodrigo Borja.

The Ecuadorian Government's intention of persisting in its long-standing territorial petition still survives thanks to De la Puente. The inexperienced foreign minister improvised his speech to the OAS Assembly on 20 May, claiming that "the solution to the border problem with Ecuador is political," and neglected to make any reference to the Protocol of Rio de Janeiro.

Neither shy nor lazy, Ecuadorian Foreign Minister Diego Cordovez immediately realized that he had a weak contender and, since then, has organized two semiformal dialogues accepted by De la Puente.

The first was at Eco-92 [UN Conference on Environment and Development], during the first week of June, in Rio de Janeiro. The second took place on 24 June, during a stop that he made in Quito on his return from Expo-92, in Sevilla.

Although the Borja government is about to end, the new president-elect of Ecuador, Sixto Duran, has already claimed that his government will bring up the "territorial claim." The statement makes sense because Duran will be appointing Diego Puertas as foreign minister. Puertas was one of out-going minister Diego Cordovez's closest collaborators. De la Puente, for his part, guided by his particular idea of international negotiations, is trying to temporize, so as to prevent the foreign front from becoming more rarefied.

The Case of Chile

Based on the last negotiations that Peru held with the Chilean Government in 1986, the country to the south this August was supposed to turn over the dock that it constructed for our country in Arica, as well as the right to use of the Tacna-Arica railroad. Furthermore, the legal system for regulating the aforementioned benefits was due to be established.

Nevertheless, two months ago, Chile installed a station on the railroad line, where it forces the railway trains to stop for a "plant health check" of shipments coming from Peru. The Foreign Ministry (without informing De la Puente) filed a complaint with the Chilean Government because this action creates an obstacle to Peru's free use of the railroad, which was not called for in the original treaty, nor in its annexes.

However, when De la Puente learned about it, he claimed that the measure had been "exaggerated." Chile has no intention of responding, and De la Puente is advocating "negotiations." But the experts claim that there is nothing to negotiate and that the only recourse left for Peru is to demand the elimination of the new station.

Compounding these problems with the neighboring countries is the fact that relations with Panana and Venezuela remain broken off and that no ambassadors have been appointed to Brazil, the United States, or Uruguay. Furthermore, Costa Rica has not accepted the new Peruvian ambassador. Meanwhile, the question circulating in Tagle Tower is: When will someone take the helm?

* Industries President on Closures, Andean Pact

92SM0562B Lima EL PERUANO in Spanish
20 Jul 92 p B-11

[Interview with Luis Vega Monteferri, president of the National Industries Association, by unidentified reporter; place and date not given]

[Text] Luis Vega Monteferri, president of the National Industries Association (SNI), explains in the following interview what it means to be an industrial entrepreneur in Peru. He claims that the modern entrepreneur must have a change of mental attitude and that business firms must expend a great effort to be competitive.

[EL PERUANO] Engineer Vega, how is the industrial entrepreneur performing under the current circumstances?

[Vega] The National Industries Association and we, its members, admit that the industrial sector must be reconverted in order to be competitive in prices, quality, and timely delivery in order to compete freely in an open market such as the one existing at present. We must also be aware of the fact that the world has changed.

[EL PERUANO] The country is undergoing a very critical situation, with reconstruction....

[Vega] The reconstruction for industry is something that requires not only new technology and personnel training, but also, basically, a change of mental attitude on the part of the modern entrepreneur. Only in this way can the country forge ahead.

[EL PERUANO] There is also an entire time lag with respect to other countries, which may perhaps prevent us from being sufficiently competitive.

[Vega] We must be realistic about the disadvantages that we are experiencing, but the problems have to be solved. For example, the restriction on energy consumption has a direct effect on production. For this reason, the industrial sector is failing to earn $157 million per month. We are producing at 49 percent of the installed capacity. If we consider the fact that industry accounts for 22 percent of the GDP and that the Treasury collects more than 46 percent in this sector, we realize that the economic program is being jeopardized as a result of this problem.

[EL PERUANO] What concrete solutions have you proposed?

[Vega] We are cooperating with the Ministry of Energy and Mines and have made several proposals that are being evaluated with a team from the United Nations. Concretely, the issue is to put a thermoelectric plant into operation by January 1993.

[EL PERUANO] Engineer Vega, during the early years of the previous government there was communication between the industrial sector and the executive branch, explained by the fact that subsidies were being granted to impoverished sectors and perks were being given to entrepreneurs. Under the present government, economic measures that we might call uncomfortable for you have been adopted. Nevertheless, communication with the executive branch, especially under your administration, has been very smooth-flowing....

[Vega] The industrial sector must make industrial policy, and not other types. The Confiep [National Confederation of Private Business] exists for that purpose. We are firmly determined to be competitive. Industry requires that each business firm make a self-analysis of its potential for reconverting and, if it cannot do so, whether because its product is not competitive or for any other reason, it will have to change its line or close. We have differences with the government; we want its understanding, not its protection. That is why the dialogue must be smooth-flowing. I had occasion to accompany President Fujimori on some of his travels, and I became better acquainted with him. His openess and sincerity deserve our respect.

[EL PERUANO] As for the differences, one of them apparently concerns the tax policy.

[Vega] That is so. We believe that a restructuring of the tax system should be carried out as soon as possible.

The Sunat [National Tax Administration Superintendency] has been doing a good job as far as expanding the tax base is concerned. At first, we had trouble with it because the individuals responsible for the inspections were being governed very dogmatically by the instructions from Dr. Manuel Estela. This is being corrected. The Sunat's work deserves the respect and support of all citizens.

[EL PERUANO] Is contraband still a serious problem for the industrial sector?

[Vega] Not just for the industrial sector. We must realize that every time we Peruvians purchase contraband items, we are taking jobs away from our children. The Treasury is failing to receive nearly $350 million per year. Since the problems must be solved, or there must be help in solving them, the SNI has signed an agreement with the Sunad [National Customs Administration Superintendency] to provide it with inspectors, who will be paid by our institution's various committees and who will collaborate in curbing contraband.

[EL PERUANO] There has been talk in some circles of a widespread closure of business firms. Nevertheless, the National Office of Registrations is receiving thousands of applications for opening new ones.

[Vega] There are various opportunities when the market is opened. In the first place, some companies are about to close because the recession inherited from the previous government is severe and has become exacerbated by the economic destabilization program. Nevertheless, new business firms are being created in the commercial area and the industrial sector. Some companies are investing to reconvert.

[EL PERUANO] During the past few days, certain stalemates have been occurring in the privatization system. How do you view this process?

[Vega] Privatization is something that has been anxiously awaited. The Copri [Commission for Promotion of Private Investment] is doing a good job. Obviously, there are some sectors that wish to create difficulties for it, but we must recognize that the decision has been made and that there have been cases in which privatization is an accomplished fact. The government should not manage business firms, because that is incumbent on the private sector. This has been demonstrated in all the nations of the world.

[EL PERUANO] Why do you think that there has been a lack of proper management in the majority of state enterprises?

[Vega] Look, one does not take good care of what does not belong to him. I am referring to a manager or president of a state enterprise. Besides, in many instances they were monopolies, which is already an inducement not to be competitive. I believe that the approach that the government has taken, opening up all areas for the private sector's intervention, is positive. In the past, there were many restrictions precluding the private sector's ability to invade certain production areas. Now, there is absolute freedom in this regard, even for competing with the state enterprises. It is important to stress the free transfer of foreign currency and the fact that unlimited foreign investment is permitted.

[EL PERUANO] In this connection, what is your opinion of Televisa of Mexico's purchase of stock shares in a Peruvian television station?

[Vega] All of us entrepreneurs must change our mentality, because we are talking about free supply and demand. I think that this purchase, instead of harming a television channel (I do not know the opinion of the other channels) will benefit us by projecting Peru's image abroad.

[EL PERUANO] What is your position regarding the Andean Group?

[Vega] It is important for the government's representatives to consider the fact that we entrepreneurs must participate in the negotiations and state our position, because we are the ones who will ultimately continue, over time, making use of the laws or agreements concluded with the Andean Pact.

The industrial entrepreneur needs a framework of agreements in order to develop. Consequently, we must be participants in them. Our association's proposal should guide the negotiators, who are our ministers in this instance.

[EL PERUANO] Do you have other plans for opening markets abroad?

[Vega] Of course, we do not think that we should confine ourselves to the Andean Group. Instead, we must seek the world as a market. We are currently studying the possibility of entering Mercosur [Common Market of the South]. I say that we are studying it; this has not been decided, because studies take time. We in the private entrepreneurial sector, represented by the presidents of the various institutions, have been meeting since February of this year to become informed about issues relating to Mercosur. And we have discovered some advantages: for example, there are 200 million consumers in Mercosur, compared with 80 in the Andean Group. It is important for the Mercosur countries, in turn, to have an outlet through Peru for reaching the Asian countries. This would lead to a series of benefits.

[EL PERUANO] That might not materialize....

[Vega] That is true but, if so, the possibility of having bilateral agreements would remain. I believe that the modern entrepreneur must realize that conditions have changed. What is required is a pragmatism that always keeps the country's welfare in mind.

* Retired Military Officers Hold Conference

92SM0561B Lima SI in Spanish
20 Jul 92 p 41

[Text] Unexpectedly and gratuitously, a defender has appeared for the de facto regimes. It is the Executive Intelligence Review (EIR), an institution which, on Friday, 17 July, at the Las Americas Hotel in Miraflores, held a conference to counteract the recent statements by Mario Vargas on the role of the Latin American armed institutions. The main speaker, engineer Luis Vasquez Medina, described the writer as a "ventriloquist dummy" of Bush and supported previous authoritarian military regimes. Vasquez lauded the image of the Argentine coup general, Seineldin, and insulted deposed Haitian President Bertrand Aristide, calling him a "savage" and accusing him of murdering his adversaries.

Retired EP [Peruvian Army] General German Parra, Alan Garcia's ex-transportation minister and a panelist at the event, justified the Armed Forces' intervention in politics with a historical rationale: The branches of the Armed Forces headed the independence processes in colonial times, and hence, they consider themselves "guarantors" of institutional public life. Take note, Parra is an Aprista [member of American Popular Revolutionary Alliance]. Retired EP General Jorge Chavez Quelopana, in turn, considered a prolonged peaceful coexistence with Chile difficult to achieve. He expressed the view that, "The Armed Forces should not disappear, because they must defend our borders and traditions." Finally, EP Colonel Rodrigo Cordova complained that the OAS inspects only when there are coups d'etat. He proposed the issuance, after the EIR conference, of a communique to be publicized throughout the entire continent.

Venezuela

'High-Ranking' Meeting Held on Turpial Case

PA3108215192 Caracas Venezolana de Television Network in Spanish 1600 GMT 31 Aug 92

[Text] Defense Minister General Ivan Dario Jimenez Sanchez, high-ranking military officers, and the commander of the forces in the capital are meeting on 31 August on the Turpial case in the Defense Ministry's Blue Room, which is located in that building's theater. The purpose of the military meeting is solely to discuss the development of events as a result of Judge [name indistinct] decision to issue arrest warrants against five high-ranking Navy officers for their alleged links to the Turpial case. It has been unofficially reported that the military officers have not appeared before justice as they are waiting for the case to pass from the 21st Tribunal to the Superior Court before turning themselves in.

Jimenez Comments on Warrants

PA0109134692 Caracas Venezolana de Television Network in Spanish 0000 GMT 1 Sep 92

[Report by Johnny Figarella in Caracas]

[Text] The defense minister and military high command members discussed the Turpial network case in a 31 August meeting at the Defense Ministry that lasted from 1000 to 1400. The military made an in-depth analysis of the developments that have followed the issuance of arrest warrants on 26 August.

Defense Minister Gen. Ivan Dario Jimenez Sanchez later said at Miraflores Palace that active service military personnel for whom arrest warrants have been issued are still in Venezuela. He added that his office is not responsible for those who are no longer in active service.

The defense minister made statements at Miraflores Palace after he was asked about rumors that the officers for whom Judge Ibelis Duran had issued arrest warrants for their alleged participation in the irregular purchase of communication systems for the Navy are out of the country.

The defense minister said his last contact with the officers was on 28 August, and he does know their current whereabouts.

[Begin recording] [Gen. Jimenez] I contacted them when it was reported that they had to go to San Carlos. I had no further contact with them after that. I do not know-....[pauses] I do not think they have left the country. I do not think so.

[Unidentified Reporter] Why have they not turned themselves in?

[Gen. Jimenez] I do not know. I imagine they were told they had to go to San Carlos. The Defense Ministry is responsible for the other two, as I said the other day. As soon as I settle some administrative problems I will send them to San Carlos.

[Reporter] Then you cannot guarantee the others are in the country.

[Gen. Jimenez] No, because I have not talked with them since either 27 August or the evening of 28 August. I have not spoken with them since that time.

[Reporter] If that is the case, what will the Defense Ministry do?

[Gen. Jimenez] It does not concern the Defense Ministry. It is a case for the Judicial Technical Police or the courts. It is not the Defense Ministry's responsibility because they are retired officers. [end recording]

Rangel Program Suspended for 'Military Reasons'

PA0109164492 Caracas Venezolana de Television Network in Spanish 0000 GMT 1 Sep 92

[Text] Defense Minister General Ivan Dario Jimenez Sanchez has just announced at Miraflores Palace that Jose Vicente Rangel's program was suspended strictly due to military reasons. He also noted that the appropriate measures will be taken following the pertinent investigations.

[Begin Jimenez Sanchez recording] Instructions have been given to the Armed Forces inspector general and to the Directorate of Military Intelligence, DIM, to investigate how this program was filmed inside the jail, which violated jail security. After we have the results of the investigations, we will decide on the steps to be taken. [end recording]

Jamaican Prime Minister Begins Official Visit

PA0209014292 Caracas Venezolana de Television Network in Spanish 1600 GMT 1 Sep 92

[Report by Milagros Rodriguez from the Miraflores Presidential Palace in Caracas—live]

[Text] Jamaican Prime Minister Percival Patterson arrived in Venezuela as scheduled at 1030 [1430 GMT] and right now is at Miraflores Palace, where President Carlos Andres Perez is hosting a luncheon in Patterson's honor. The Prime Minister's tight schedule during his two-day visit includes a visit to the Universal Peace Park, where he will plant a traditional Jamaican tree.

On 2 September, the Jamaican prime minister will meet at the Venezuelan Central Bank with Health and Social Welfare Minister Rafael Orijuela; Transport and Communications Minister Fernando Martinez Mottola; Urban Development Minister Diogenes Mujica Urbina; Central Bank President Ruth de Krivoy; Investment Fund President Carlos Hernandez Delfino; Foreign Trade Institute President Miguel Rodriguez Mendoza, and Dr. Iris Molina Vargas, acting vice president in charge of export financing.

On the morning of 2 September, the Jamaican prime minister plans to meet with Energy and Mines Minister Olirio Parra and Venezuelan Petroleum directors.

After lunch on 1 September, the Jamaican prime minister will hold his first formal meeting with the Venezuelan president. The second meeting is scheduled for 2 September. At noon on 2 September the Jamaican prime minister is expected to give a news conference.